

JPRS 80768

10 May 1982

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2267

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

10 May 1982

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2267

CONTENTS

HUNGARY

Kornai Criticizes Liska Proposal for Ultimate Economic Reform (Janos Kornai; FIGYELO, 3 Mar 82)	1
Liska's Proposal To Revise Socialist Economic Order Discussed (Andras Korosenyi; HETI VILAGGAZDASAG, 13 Mar 82)	7
Role, Problems of Taxation Discussed (Vilmos Cserveny Interview; NEPSZAVA, 13 Mar 82)	13
Mehes Attends Conference on Production of Chemical Fertilizer (MAGYAR NEMZET, 21 Apr 82)	16
Briefs	
Nuclear Power Plant	17
Nationwide Corn Sowing	17

POLAND

Role of Government in Economy Analyzed (Zygmunt Szeliga; RZECZPOSPOLITA, various dates).....	18
Anti-Import Activity, Domestic Kaolin Reserves Exploitation Noted (Andrzej Michalowicz; ZYCIE GOSPODARCZE, 7 Mar 82)...	30

ROMANIA

Role of Price Policy in Economic Development (Ion Tulpan; ERA SOCIALISTA, 20 Feb 82)	33
New Directions Planned for Zootechnical Sector (Oprea Parpala; REVISTA ECONOMICA, 26 Mar, 2 Apr 82)...	41

Need for Continued, Efficient Operation of Machinery (Richard Winter; ERA SOCIALISTA, 20 Feb 82)	51
---	----

YUGOSLAVIA

Discrepancy Noted in Numbers of Workers Abroad (Salih Zvizdic; VJESNIK, 10 Apr 82)	59
Foreign Exchange Problems Strike Shipping Operations (Jovo Ivovic; PRIVREDNI PREGLED, 2 Apr 82)	65
Reasons for 'Disintegrated' Market Discussed (Marjan Senjur; EKONOMSKA POLITIKA, 15 Mar 82)	73

KORNAI CRITICIZES LISKA PROPOSAL FOR ULTIMATE ECONOMIC REFORM

Budapest FIGYELO in Hungarian 3 Mar 82 p 3

[Article by Janos Kornai: "Game Rules and Social Realities; Observations on the Entrepreneurial Conception of Tibor Liska"; based on comments made at a debate held 28 January 1982 at the Karl Marx Economic Sciences University]

[Text] A debate worthy of attention is taking place in professional circles concerning the socialist entrepreneurial concept of Tibor Liska. The basis for this concept is a unique view of social property. This property is social in that no one can appropriate it, but it can always be used by whoever can produce the greatest profit for society with it. Liska calls this property, essentially establishing a subject for entrepreneurship, "personal social property." The basis for the function of the system is a "planned market for entrepreneurs."

The organ representing society auctions the unit of property off to a individual entrepreneurship. At the end of the auction the bidder promising the most is the winner, until someone promises more. In the event of a later bid, the operating entrepreneur must accept this estimate, if he is to continue his enterprise, or he must hand over the enterprise to the higher bidder. If the profitability of the enterprise improves the entrepreneur himself can make a new bid. This fictitious capital market would ensure that every unit of social property would always be in the hands of the person who undertook to make the most out of it.

This value market also ensures self-selection of entrepreneurs.

According to Liska's concept, the primary entrepreneurial fund (resource) for a socialist entrepreneur is his own "human property," made up of two sources: the personal assets acquired at birth--his "social inheritance"--and

the "goodwill capital" acquired in the course of his life. The former is that part of the national wealth falling to a citizen, a part of which would serve as an initial risk fund at the beginning of an undertaking. The latter--the "goodwill capital"--is the difference between the initial value and the value added by the bid. A fictitious goodwill account is "opened" for the entrepreneur with this value difference. If the interest on the pledged increment--the goodwill capital--reaches the market value of the capital, then the pledged increment has been realized and at this point the entrepreneur can cash in the sum of his accumulated interest, thus far registered in his personal [closed] account.

From his net receipts the entrepreneur pays interest at the prevailing equilibrium rates on the "planned market (fictitious capital) value", which is the projected yield of the undertaking. The remaining part goes to the entrepreneur, as interest on the "goodwill capital."

Liska would entrust management of social property to a system of institutions functioning like a bank.

I would like to concentrate my observations on a relatively few questions, but ones that are important. I have not adopted Tibor Liska's terminology. Instead, I will be using the accepted expressions of economics. I am not striving for novelty. In many points my observations are similar to those of others; in many questions I agree with the findings of others.

That in Which There Is Agreement

The concept of Tibor Liska in connection with socialist enterprises constitutes a rich and varied system of thought. There are many aspects to it--economic ones in the narrower sense (market, auction, rates of interest, credit), political science, sociological and social-psychological ones (the function and behavior of the entrepreneur, forms of acquiring social property, and the relationship of the citizen to social property) and a social-philosophical-ethical aspect (the "patrimony," rights, etc., of the citizen)--because we are presented with a system of ideas that we cannot divide according to our taste--I like this, I don't like this.... Despite this, I must say what I find sympathetic--before I turn to criticism.

I agree with Liska in his criticism of the old mechanism, even in his criticism of the mechanism has developed since the 1968 reform. There are differences of opinion between us even on these questions, but agreement or a close similarity dominates.

Like Liska I approve of those efforts to give the market a large role--much larger than before--in allocation. I also agree with him that the market should play a large role in the allocation of services and infrastructural activities, and not only in the allocation of material goods in the narrow sense.

I agree with his emphasis on the category of "entrepreneur," with his insistence that this is not a synonym for "manager," one appointed by the capitalist owner or the socialist state. Liska is also right when he poses the question: Is an entrepreneur in the true sense of the word needed in the socialist system? If so, how can his social role be "institutionalized"? Even posing the question is fruitful.

If It Should Work

I would like to criticize the concept in two stages. In the first place, let us suppose that Liska type "game rules" are put into effect on an all-society scale in the way that he imagines them. The question is: Would they bring those results that Tibor Liska expects of them? The next step in the analysis will be to pose the question: Can a real society function according to Liska type game rules?

a) In every society, definite people (individuals or smaller or larger groups) dispose of the tools of production (not formal property rights but rather the actual power to dispose of them). Socioeconomic systems differ from one another by, among other things, how these people are selected. How does selection take place--not according to declarations but in reality? What role does property play in this--inherited or acquired in the course of one's life--by one's political position in the system, by individual talents, and so forth?

Liska wants to tie this selection to a single criterion--a single-parameter bid made at the auctioning of control over capital. He who "bids higher" can take the right of control from him who previously exercised it. The bid always is only a promise. It will develop subsequently whether the promise is kept or not.

This is a one-sided, narrow and heedless selection principle. It attributes an unproportionately large role to individual self-evaluation, to how the bidder weighs what he is capable of undertaking. This is an important virtue--but it is not of exclusive significance.

b) One important condition for a successful undertaking is security. This requires a long time horizon. We must allow each entrepreneur to suffer temporary or partial failures, if he is to be able to overcome difficulties later.

"It can be taken away at any time by a higher bid"--this principle undermines this security completely. An entrepreneur following Liska-type game rules can never know if the capital at his disposal might not be taken from his hands tomorrow because someone comes up with a higher bid. This control is lost not because he finally failed or because he wants to give it up voluntarily; rather, he can be deprived of it at any time, even in the case of profitable operation--if someone makes a higher bid.

The knowledge that he will not suffer personal material loss does not compensate for this constant uncertainty. The true "entrepreneurial

personality" not only wants to make money; he also wants the power of control over the tools of production, the excitement and prestige of leadership, of doing things and controlling things. A genuine entrepreneur is not consoled if you put him out of the director's office but press into his hand a bond guaranteeing that he will earn no less.

c) A walrasian "equilibrium rate of interest" (or a Liska-type indicator analagous to it) cannot be the sole regulator of a well-functioning capital market. It could disorient allocation decisions if they reacted to one exclusive indicator, the prevailing rate of interest. Every real capital market is forced to function with a much more complex regulatory mechanism.

And Can It Work?

I am not asking the question: What resistance to the realization of the conception can one expect in present Hungarian society; is there a chance that it will be accepted? Let us suppose that the responsible organs do accept Tibor Liska's proposals, that they are ready to pass the laws, regulations, etc., necessary for its introduction. What would happen then?

The rules for a parlor game can be made up freely. The rules for chess have been codified. But someone could make up a "French chess" in which the winner is the one who loses all his men first. Game rules for real societies, however, cannot be made up as you please. Here Liska shares the error of those who have been so sharply criticized, those who invent new "regulators" every other year in the belief that the economy will yet work according to the game rules concocted by them.

Those active in real economic systems are real men whose pleasant and less pleasing attributes must be calculated into ideas about society.

The information base for the "auction" will unavoidably be distorted. It would be easy to decide if someone wants to undertake to manage a gasoline station. He would watch the traffic for a few days, learn the prevailing prices and those charged by the station, etc--and decide whether or not to undertake it on this basis.

But what should one do if he were thinking of taking over an export firm? He would be at the mercy of the information that he could get from the one who had been operating it. That person would provide the information or deny it and thus distort the information as his interests dictated, depending on whether he wanted to keep the firm or get rid of it.

The concept is based on a system of independent entrepreneurs competing with one another. In real alliances, the forming of coalitions and cartels, concentration will be unavoidable.

The concept counts on the perfect self-control and self-restraint of state institutions. They must play the "neutral" and "impartial" roles of the "auctioneer," cashier and bookkeeper of the nation and overseer of the

game rules (or "referee" of the match). It is not the custom of the modern state to play these impartial roles. Bureaucratic power will not end if we scold its practitioners and ask them: Hereafter limit yourselves to carrying out these neutral functions.

Liska's concept would prescribe a single homogeneous game rule for every area of the economy. He would permit experimentation; but if the experiment should bring a slightly different game rule to the fore, then he would prescribe it--again for the entire economy. In reality every modern society creates again and again coexisting sectors of various types that differ from one another from the viewpoint of property and guidance--and thus behavior. It is one reassuring aspect of the present Hungarian situation that it has become more varied in this respect. A universal and uniform form of property valid for every part of the economy is not desirable--and could not be realized.

Methodological Observations

Liska's concept is a normative theory that is not adequately founded with descriptive-explanatory theoretical studies. It is not enough to say what sort of social formation we might desire. We must know in a fundamental way what sort of properties those formations have, which--in certain respects--resemble those we desire.

In many respects the economic game rules of the Liska type resemble the rules of a capitalist commodity and capital market. Liska wants a structure that would differ from capitalism in fundamental respects. Still, it is impossible to formulate scientifically founded statements about his system without making fundamental, objective, unprejudiced comparisons with the functioning of the capitalist economy. How do the capital market, credit system, interest rates, stock market, the forming of enterprises, the transfer of enterprise property, auction and bankruptcy work there; what is the relationship of enterprise and state? What is the situation of small, medium and large enterprises? What types of property are there, what are the roles of owner, manager and entrepreneur? Liska does not convince us that his system will have those economic advantages that the capitalist economy may show--despite the fact that he wants to eliminate "regular" capitalist private property. Nor does he convince us that his system will be free of those economic and social disadvantages that appear in the capitalist economy--simply as a result of his desire to eliminate "regular" capitalist private property.

Much more practical experience would be needed also in connection with how various "entrepreneurial forms" work in socialist countries. It is true that not one of them is precisely what Liska proposes, but they are not entirely foreign to his thinking and they are somewhat related structures--various combinations of public property and personal disposition or control. What are the experiences in operating these forms?

This empirical research--a basic examination of the pertinent phenomena of capitalism and socialism--is indispensable. It cannot be replaced by "making up" game rules. It is relatively easy to design an ideal system on paper. It

is relatively easy to design an ideal system on paper. It is especially easy to "prescribe" for a paper system that it should be free of those errors, troubles and sins that characterize various real systems. I do not like bureaucracy--so let our society be free of bureaucracy. But I do not like monopoly, private property or the inheritance of property either. Shall we have a society in which these do not appear? Unfortunately, all these things appear, even in a concentrated form, in real systems. A normative theory can be regarded as scientifically founded if it soberly takes into account those tendencies that give birth to such phenomena--and does not simply "strike them" from the game rules.

The Social Utility of Research on Entrepreneurs

As a scientific researcher I have a number of essential objections to Tibor Liska's concept. But this does not mean that I do not find useful, in several respects, his activity and the research that he and his colleagues have done on entrepreneurs and their experiments with entrepreneurial undertakings. Let me mention two things.

A form resembling Liska's idea may develop as one sector of the economy. Real capital is and will remain public property, but a private person or a group of private persons may adopt it. If a number of people apply for the use of it, then the entrepreneur who receives the right to use it may be decided on the basis of competitive bidding.

Despite substantial similarities, this form will differ in practice in many details from the concrete rules of the Liska type.

This form will not become an exclusive one, nor even a dominant sector embracing a large part of the economy. But it can be imagined that it will spread as compared to the present. Only in competition with other forms can it be proven (or refuted) that it has advantages compared to other forms.

I consider the intellectual stimulation effect of the concept to be of greater significance than the concrete forms of public property and personal undertakings proposed by Liska. There is a fairly widespread idea, in our economics and even more in practical economic life, that the problems can be solved by a regular revision of the "regulators." The wage preference should depend on this or that, the profitability rate should be adjusted to this or that, etc. Liska has directed attention to problems that lie deeper than this--to the interdependencies between property, selection and guidance. I consider this arousal of attention salutary even if the concrete answer that he gave to the questions he himself raised do not appear convincing to me.

8984

CSO: 2500/164

LISKA'S PROPOSAL TO REVISE SOCIALIST ECONOMIC ORDER DISCUSSED

Budapest HETI VILAGGAZDASAG in Hungarian 13 Mar 82 pp 26-28

[Article by Andras Korosmerci: "Liska and the Others"]

[Text] Liska Glossary

EQUILIBRIUM RATE OF INTEREST

That ratio of income capital which brings into equilibrium the demand for undertakings with supply. Moreover, this interest mechanism poses a unified conversion requirement on capital benefits.

FICTIVE CAPITAL GROWTH ACCOUNT

If an entrepreneur undertakes to do more as compared to the earlier capital value of income, the difference is entered on his fictive capital growth account. This is also a fictive capital value.

COMPETITIVE BIDDING

In order to gain an undertaking the entrepreneurs try to offer a greater profit than anyone else. In competitive bidding, they raise the capital value of income--that is, the entrepreneurial value of the unit which brings future profit--higher and higher. In "self competitive bidding" the entrepreneur makes a higher bid at his own undertaking; in "additional competitive bidding" an outsider bids higher than the entrepreneur; in "retro competitive bidding" the entrepreneur reduces his former, excessively high bid. In this latter case--probably as in other cases--he exposes himself to the danger that he will lose the undertaking. Retro competitive bidding is possible only to the extent of the sum credited to the fictive goodwill account.

REALIZED GOODWILL ACCOUNT

The bid which appears on the fictive goodwill account must be realized during the operation of the economic unit. An appropriate ratio of the equilibrium rate of interest of the fictive goodwill is put on the blocked account of the realized goodwill account. The sum that appears on the realized goodwill account may be drawn by the entrepreneur only if its size equals the extent of the fictive goodwill he bid for.

PER CAPITA NATIONAL WEALTH

The per capita share of national wealth, and the average sum of allotments per capita which every citizen receives as fictive goodwill when he is born. During his lifetime, everyone can use only the interest deriving from this, which at the same time guarantees minimum necessities. The size of the capital is increased by the size of the realized goodwill acquired and realized in successful enterprises. With the death of the citizen, the entire society and not a blood relative inherits the goodwill.

CAPITAL VALUE OF INCOME

The fictive capital value yielding long-term profit expected from the economic unit (undertaken by the unit). In principle, independent of the price of the fixed assets.

ENTREPRENEURIAL ABILITY

That part of the per capita social inheritance which can be risked plus the realized goodwill plus deposits made (interest paid on the capital value of income of earlier undertakings).

Free competitive socialism? Total enterprises? One could go on searching for titles, but presumably not one would cover the essence of the matter--the new economic ideas which are linked to the name of Tibor Liska, the germs of which we can find in the contractual operation of the restaurant industry and above all in the Szentes experiment (HETI VILAGGAZDASAG, 5 December 1981). Meanwhile, scientists are exchanging views over whether plants raised in a glasshouse can survive the severe weather of the outside world.

Tibor Liska, an economist who has been engaged in his career for more than a decade, is now making waves of a height that have not been seen for a long time in our economic life. The stone he threw in the water is an entirely new idea for the further development of the socialist economic system, which its inventor calls the "socialist entrepreneurial system." Those who want to become familiar with the concept of Tibor Liska--and their number, as known by fact, is constantly increasing--will find it worthwhile to familiarize themselves with the idea that they must orient themselves not only to an unusual mode of thought but also to the terminology used by Liska, which is not traditional.

As the leader of the Entrepreneurial Research Group which was formed in 1979 under the aegis of the Hungarian Academy of Sciences and the Economics University, Tibor Liska recently challenged several well-known Hungarian economists to an intellectual duel in order that he might present counter-arguments to criticisms of his theory. These heated, professional exchanges of views--which are held at the Economics University--have attracted an imposingly large public audience: students, economists in practical work, and others.

The largest lecture hall at the university proved too small when Tibor Liska appeared at the microphone with Jeno Barsony, Janos Kornai and Marton Tardos. The debating partners, of course, already had a detailed understanding of Tibor Liska's theory, but let us here briefly summarize the ideas of Tibor Liska, accepting perforce the simplifications that come from compression and the possible distortions that come from simplification.

The theory of "entrepreneurial socialism" is built on so-called "personal social property," a property form which radically departs from property forms which thus far have been judged to be rigid--private, state and group property. According to this concept, social property--more exactly a given unit of it--is always operated by those who undertake to increase it the most profitably over the long run and who bid (a new concept!) its "capital value of income" the highest. It is necessary to bid on capital value because in the Liska-type model everything--including natural resources as well as human capabilities--becomes capital.

Therefore, the entrepreneur estimates the kind of income he can obtain in the future from a given enterprise, and with the equilibrium rate of interest of this income (see the above Liska glossary) he bids on capitalized value, on the so-called capital value of income (which in everyday terminology is no more than the income that can be gained from an undertaking). But to whom? This will become clear in the following.

The maximum interest of the entrepreneur is guaranteed by the principle of "the bidding is the bidder's": according to this, the surplus which the entrepreneur is able to make as compared to the former income may be largely his.

The payment obligation undertaken for an infinite period of time--or at least until the amortization of all the capital value of income that has been bid, or until the appearance of a new additional bid--must be carried out by an experimental institute of the social capital market, the VKP (Entrepreneurial Experiments Treasury) invented by Liska. The VKP would give out as an undertaking, issue for competitive bidding the units of social value at the "proclamation price" appropriate to the capital value of the income yield that is minimally expected by it.

The difference between the capital value of income created by the highest bid and the proclamation price has been named as the "fictive goodwill" by Tibor Liska. The interest of this surplus for the capital value of income would give the entrepreneur his "realized goodwill capital," only the interest of which can be drawn on by the entrepreneur for the time being. The interest portion due the proclamation price would be placed in the account of the VKP, together with the amortization payments that are due.

When the entrepreneur has paid the full capital value of income, he can draw out his realized goodwill capital at any time. He has increased his own capital together with the size of the fictive goodwill capital: in Liska's terminology, his personal social inheritance, for the entrepreneur has contributed much by this to increase the national wealth.

The essence of the idea, therefore, is competition: for surpluses, for surplus income, and at the same time for the surplus of the national wealth value. Tibor Liska says that the goal is to make human capabilities the most important capital. And the environment conceived by him for this purpose is a total market economy, where the capital market--the equilibrium of supply and demand--is regulated by the bidding mechanism and the equilibrium rate of interest.

The creator of the concept of "entrepreneurial socialism" says: "self-selection" by bidding does not make the entrepreneur interested in "holding the ball," in monopolizing functions, and thus it is a better incentive for developing human performance capability and the creative bent than selection from above, by designation, or from below (perhaps by way of inheritance). To be sure, the entrepreneur can be "bid out" at any time, but he, too, is interested in the education of his descendants, for his fictive goodwill capital would continue to yield interest on the blocked account.

But who can undertake enterprise? Who bears the risks of the enterprise? What guarantees are there against failure? According to the concept, everyone can undertake enterprise, and the risk is borne primarily by the entrepreneur, secondarily by those who have associated themselves with him materially, and thirdly the VKP, and only finally society as a whole. It offers a greater guarantee against failure than anything up to now in that only someone who had successfully proved his "entrepreneurial ability" earlier could enter on a more important undertaking.

Such is the scope of the ideas, the theory, in a nutshell. And now let us look at the more important objections.

One of the most important questions of the three economists who were invited to the debate was: "Will the Liska-type of self-selection assure that the most talented will move into entrepreneurial roles?"

Janos Kornai believed it would not because he regarded it as narrow and one-sided to make the selection dependent on one factor, the size of the bid. In his view, this gives a disproportionately large role to the individual self-evaluation. The model as a whole could be operable--and all three of the well-known economists agreed on this--in small, simpler and transparent property units, but not as a universal model for the whole economy.

They also voiced doubts whether the large enterprises, the bigger economic complexes could fit at all into the Liska-type entrepreneurial system. According to Jeno Barsony, it is frequently impossible to separate social property units to be given into enterprise undertakings because frequently they are linked to one another, and the development of capital value of income would become intertwined.

Marton Tardos was concerned with the absolute extension of bidding. How could there be assembled behind an entrepreneur (entrepreneurs) bidding for the leadership of a large modern enterprise enough fictive goodwill--he asked--as would be sufficient for the necessary entrepreneurial capability?

In today's modern world--Tardos emphasized--large organizations have developed, of course, not out of human stupidity but of necessity; these cannot be simply split up, nor is it always worthwhile to do so because the large enterprises when appropriately constructed and organized can have great advantages.

Then there were counter-arguments to the counter-arguments: Tibor Liska acknowledged the right to existence of the large production units if they come about in a freely organized market competition. But, according to him, this is not characteristic of a large share of the present monopoly organizations. Large capital can also be operated on an entrepreneurial basis--maintains Liska--without integration into a mighty hierarchical organization. Entrepreneurial collectives can compete for the operation of smaller undertakings by technically and indivisibly welded large units by virtue of internal market mechanisms more developed than those of today, by mutual interdependence and more equal relations. By bringing together their entrepreneurial ability and the capital of the voluntary associates and creating with this the necessary cover, they can also successfully bid for large sums of capital value of income.

The socialist entrepreneurial concept will never offer a ready, elaborated organizational system to replace the large "unicells," says Liska. According to him, this can only come about in practice. This type of competitive system does not exist anywhere in the world, but this does not mean there cannot be in the future. In fact--he reminded us--1 or 2 years ago bidding and self-selection also seemed inconceivable but contractual businesses that were introduced in the restaurant industry did not fail because of the application of bidding.

According to his opponents, Liska neglects those economic and social conditions without which the operation of the socialist entrepreneurial system is inconceivable. Without completely freely organized commodity and money relations, realistic price formation, the elimination of monopoly situations, democratic competition, and free capital markets, the atmosphere for free enterprise is lacking, which on the other hand--according to Liska--can be created only because of the spread of socialist undertakings.

As entrepreneurs, everyone would have to become a "homo oeconomicus," or an economist, objected Jeno Barsony but in many people the desire for risk-taking does not even exist. People become accustomed to relatively comfortable, secure socio-economic relations. According to Kornai, it is exactly this capability of bidding out that buries this security requirement. No use that the entrepreneur is materially interested in being replaced by someone else at the vanguard of enterprise; the true entrepreneur type of individual would not only like to earn money but he also enjoys the sense of power over the means of production, the excitement and prestige of management and undertaking.

From the viewpoint of selection and security, the socialist entrepreneurial system would be entirely different from what we have now, says Liska, but this would not be a fault but its main virtue. Effective selection instead of

contra-selection, freer mobility and flexible variability instead of the apparent security of bureaucratic enterprise managers would offer greater security (for example, the play of self and retro bidding and the possibility of new undertakings)--this is what Liska's theory offers.

Could a system really operate according to the Liska-type concept? Janos Kornai replies with a clear no, for the game rules of actual societies cannot be shaped as one pleases; people and the economy will behave differently. In a Liska model society over the long run the information system will be distorted (the player who "sits inside" the undertaking can manipulate it), pure competition will dissolve (alliances and coalitions will be inevitable among the "faceless," independent and competing entrepreneurs), and the state will not be satisfied with a neutral, powerless role. It is impossible to set one, uniform game rule, for every modern society creates again and again coexisting, operational economic sectors.

"I do not want to invent arbitrary game rules," said Tibor Liska, "and therefore the undertaking experiments are indispensable. The rules must be tried out in practice."

Time and the attention span of the audience, of course, put limits on the debaters at the Economics University, and in this article the possibilities are even less for mentioning the whole arsenal of arguments and counter-arguments. But the dialogue is continuing in the professional journals as in life itself. Most recently, Tibor Liska "wrestled" with Tamas Bacsikai and Gyula Hernadi.

What will come of all these words? Will our grandchildren see?

6691

CSO: 2500/183

ROLE, PROBLEMS OF TAXATION DISCUSSED

Budapest NEPSZAVA in Hungarian 13 Mar 82 p 3

[Interview with Vilmos Cserveny, department chief of the Ministry of Finance, by Andras Deak; date and place not given]

[Text] As was announced in the MTI [Hungarian Telegraph Agency] report on Friday, the Council of Ministers has modified the rules for base real estate [hereafter referred to as the constant tax] taxes. We visited Vilmos Cserveny, department chief of the Ministry of Finance, and asked him a number of questions about taxes on the population.

[Question] There are few subjects which affect citizens more sensitively than taxes. The statutory provisions in this regard have been modified in recent years in various areas. How would you briefly summarize these changes?

[Answer] The constant tax on the population directly affect almost 3 million citizens in our country. The sensitiveness related to this subject cannot be explained, however, by the amount of the tax itself. This statement is justified by the fact that the tax paid annually by the population does not even amount to 2 percent of the state budgetary receipts. The rates of our tax system are generally low. For example, the average community development tax is 279 forints a year, on a three-room inner-city Budapest apartment the annual constant tax is 590 forints, and the tax on taxable income of 100,000 forints amounts to about 15,000 forints. The sensitivity can be ascribed to certain psychological factors. On one hand, the citizens are not adequately aware of how they directly "recover" the sums of money they pay in taxes, and therefore they do not pay willingly. Perhaps better enlightenment-propaganda work would help in this respect. On the other hand, some citizens subjectively regard their tax as excessive or unfair in comparison to the tax paid by others. People object to unjustifiable differences in taxation, something which rightfully violates their sense of justice.

Recognition of all these things played a role in the fact that with the modification of statutory provisions on taxation in recent years we have continuously sought to make the size and distribution of the tax burdens more just and acceptable. We have, for example, eased the tax burdens of those with low incomes. We have transformed the progressive tax rates in such a way that they are less of an obstacle than before to the extension of activity above a certain

limit. We wish to keep pace with the changes in price and value relations. By the means of taxation we also want to promote the uniformity and security of the various small-farm forms. By reducing the extent of taxes we have made it easier to obtain a house, or to exchange houses. Justification exists to further simplify administrative prescriptions regarding tax payments.

[Question] One of the basic principles of our tax policy is that a progressive tax should be paid on outstandingly high incomes and on luxury items. How is this compatible with the elimination of the market value proportional real estate [hereafter referred to as the variable tax], and how are the new regulations on the constant tax developing?

[Answer] An important effort of our tax policy is to see that those with higher incomes should pay not only a higher total tax but also higher in ratio of the taxed income (on the basis of a progressive rate) than those with low income. This principle has also for long been used in the tax systems of other countries. It is an entirely different matter that at the given level of our socioeconomic development we are influencing consumer trade in certain products (luxury items) with a relatively high sales tax. This is not a progressive tax, that is, it is not a tax rate tied to higher income. The variable tax introduced several years ago was not a means of limiting house and recreation construction below a certain level. In Hungary, the existing building regulations serve this purpose; these regulations determine the maximum limits of the number of rooms, which the house or vacation home may have on that lot. It was the goal of the variable tax to have the owners of more valuable houses or vacation homes contribute to a greater extent to state revenues.

Experiences thus far with the use of the constant tax and the variable real estate tax show that although the intent was a good one, the regulation or the practice which evolved on that basis caused abuses in a significant number of cases. On the basis of our analysis, it appeared advisable to terminate the variable tax as a separate tax type and build it in a differentiated way into the constant tax payment obligation.

In making the modifications, we took into consideration that the variable tax rates for structures serving multiroom and nonresidential purposes should better express a contribution proportional to the social tasks. In the case of larger housing structures, we must also grant the possibility for tax allowances on the basis of the number of dependents.

Together with the elimination of the variable tax, we are raising the tax rates on houses with five or more rooms. The extent of this tax depends on the number of rooms, bathrooms, and where the real estate is located, and it generally ranges from 60 percent to 150 percent. The tax on a six-room house, for example, in inner Budapest will be raised from 1,070 forints to 2,250 forints. This measure will affect only a small ratio of real estate owners, or about 8,500 proprietors. According to the new orders, the constant tax must be reduced by 50 percent for affected house owners with consideration for the number of dependents living together.

By ranking needs, we established a higher tax rate for vacation homes with consideration for the inclusion of the variable tax. For these houses the increase is greater and affects about 5,500 owners. The detailed rules will be carried in the 12 March issue of MAGYAR KOZLONY.

[Question] Are you planning new modifications in taxation rules for the coming years?

[Answer] We are constantly following those social and economic processes which influence the operation and efficiency of taxation on the population. We are studying many questions in the interest of further tax-policy measures. Thus, for example, we are looking for a way to express the social usefulness of activities not with differences in the tax rates but by more appropriate and suitable means. We would like to develop such better the generally uniform nature of the population tax. The goal is that the tax-payment obligation on 100 forints income should be the same in as wide a scope as possible independently of the sources of income, the organizational form of the activity, and the sector. We are also studying how we might better incorporate the population's money and in more effective forms into local development possibilities. For the further simplification of administration it is our constant task to introduce solutions which will mean less work for the apparatus and will not cause unnecessary inconvenience and problems for the taxpayers. We are gradually advancing also in the field of computerized data processing, recording, and information services.

[Question] How would you judge tax payment morals.

[Answer] It is difficult to speak of this in general terms. The reporting discipline serving as the basis of taxation has undoubtedly improved over the long run in the wake of systematic controls, but it is still not anywhere near what it ought to be. This is indicated by the fact that a very significant share of the tax reports, or almost 50 percent, regularly cannot be taken as realistic by the tax authorities. Income from unreported activity and taxes on items of property cause considerable concern. One of the most important tasks in improving tax morals is to discover these in an organized way and draw them into the operational sphere of taxation.

The collection of established taxes is not an easy task. There are many forgetful and tardy taxpayers. Fortunately, most of them fulfill their obligation to the state at first notice. Thus it occurs with relative infrequency that we need to use compulsion to effect payments. For example, it happens hardly several dozen times a year that we have to attach items of property. It is not to be discounted, however, that late payment fines--mostly for carelessness--come to about a half million forints annually.

6691

CSO: 2500/193

MEHES ATTENDS CONFERENCE ON PRODUCTION OF CHEMICAL FERTILIZER

Budapest MAGYAR NEMZET in Hungarian 21 Apr 82 p 3

[Text] Heads of enterprises involved in production of chemical fertilizer met at the Pet Nitrogen Works on Tuesday. The meeting was also attended by Lajos Mehes, minister of industry. It was established that there has been an exceptionally dynamic development in production nitrogen fertilizer over the past years. Enterprises making this type of fertilizer can hold their own both at home and abroad. The Pet Nitrogen Works which turns out more than half the nitrogen fertilizer produced in Hungary plays a leading role in this achievement. Last year its output was in excess of 1.3 million tons and its return from exports amounted to nearly 100 million dollars. This year the Works expects to produce nearly 1.4 million tons, and its exports are planned to be 15 percent higher than in 1981. The other two nitrogen fertilizer producers, the Borsod Chemical Combine and the Tisza Chemical Combine, also report continued expansion. Production of ammonia is expected to be taken care of through establishment of a joint ammonia factory.

There has, however, been stagnation in production of phosphorous chemical fertilizers; quality is not entirely acceptable either. Over the long term, this problem can be solved only through construction of a phosphoric acid factory.

After the reports, Lajos Mehes emphasized that continued improvement in quality is a basic task in production of chemical fertilizer: in 1981, only 45 percent of Hungarian chemical fertilizers were ranked first class. The best results were achieved by the Pet Nitrogen Works. Production costs can be reduced only through more stringent energy conservation measures. The minister also stated that the needs of Hungarian agriculture must receive the greatest possible attention. Products must meet the requirements of the Hungarian agricultural consumer. At the same time, it also very important for Hungarian fertilizers to hold their ground abroad; their position should be strengthened and exports should continue to increase. In the course of the meeting, Mehes toured the facilities of the Pet factory accompanied by factory director, Lajos Kisgergely, who briefed him about ongoing investments.

CSO: 2500/224

HUNGARY

BRIEFS

NUCLEAR POWER PLANT--On Monday night testing at operating temperatures and pressure of all equipment of the first 440Mw block of the Paks Nuclear Power Plant began. All operating conditions with the exception of use of nuclear fuel are being met. [Budapest MAGYAR NEMZET in Hungarian 21 Apr 82 p 3]

NATIONWIDE CORN SOWING--Despite less than optimal temperatures, sowing of corn was begun throughout the country on 19 April. Sowing has suffered an 8-10 day delay, and changeable weather has made work more difficult than usual. It is hoped that all corn will be in the ground by the end of April or early May to ensure maximum yields. [Budapest MAGYAR NEMZET in Hungarian 21 Apr 82 p 3]

CSO: 2500/225

ROLE OF GOVERNMENT IN ECONOMY ANALYZED

Warsaw RZECZPOSPOLITA in Polish Nos 35, 42, 47; 23 Feb, 3, 9 Mar 82

[Article by Zygmunt Szeliga: "The State and the Economy -- The Economy and the Milieu"]

[No 35, 23 Feb 82, p4]

[Text] The subject of "The State and the Economy" has occupied a place of honor among the great discussions which have been going on in Poland during the past few years. The issue is after all not a new one. In our country this problem has been recurring in a more or less severe form for more than 30 years. Sometimes it was also the topic of discussion during the period between the wars.

On the broader world scale the subject is just about as old as the state, but at any rate it has been a current topic since the beginning of the structuring of modern forms of statehood. Whole generations of economists spent their lives constructing and mutually combatting theories for the relationship between the state and the economy. Many theories among them played no small role in economic development and economic policy and still do play such a role.

I do not intend to write a history of economic thought in reference to the question of "the state and the economy," however. People who are interested in this subject can easily find a wealth of material in scientific works and handbooks. I want to take up certain gaps in our contemporary discussions and our practice in this area. Much confusion and misunderstanding have come into the discussion. There is a very great deal to be done and corrected in the realm of practical application.

Let us begin with the misunderstandings stemming from both doctrine and experience. If we were to line up all the views as well as certain practical solutions, then without difficulty we would identify that there are two poles of approach:

Way over on the one side, we have a position which we can call the "maximum pro-state view," which encompasses views (and certain practical aspects) which absolutize the state's role and authority in the economic sphere. According to these views, if we simplify things a bit we can say that the state discharges (or at least ought to discharge) in an absolute manner, guidance functions in relation to all forms of economic activity. Only certain guiding functions are differentiated: direct control by directives in relation to the largest share of the economy; various forms of forceful state intervention in relation to other parts, which these theories usually consider to be on the way out (private farms) or to be temporary (cooperative farms).

The other side, which we shall call the "maximum antistate view," denies any sort of guiding functions of the state in relation to the economy (and usually not only the economy but also to all social life). Here there are the slogans of the economy's being completely independent of the state, and there are proposals to substitute various models of self-government or free play for a large number of individual economic elements.

Between these two extremes we find the dozens or hundreds of various "schools" and views inclined more in one direction or the other.

Given the extremes, let us notice first of all that in the practical functioning of the state and the economy neither a model of the "maximum pro-state view" nor a "maximum antistate view" has ever been achieved anywhere in the world. Indeed there are and have been exceptional situations and circumstances in which for a certain period of the time the state takes over and performs all or nearly all guiding functions in relation to the economy, or, conversely, where the state, finding itself in a state of disintegration and chaos loses any sort of guiding functions in practice. We can also prove theoretically that neither one extreme model or the other should be launched and inculcated, mainly because they are not in a position to insure the thing which is the most important in economic activity, what we call the social effectiveness of the economy.

Therefore, the correct solutions will be found somewhere in between. We can see this from both theory and practice. But finding this center is not easy. It needs deliberation and no little effort. Today we are undertaking many different efforts and attempts to bring about modernization, change, and adaptation to the social needs and conditions of all forms and structures of social life, and we must put the question of the state's relationship to the economy out on clear water too.

We have a great deal to do here, in a dual sense. First, both the predominating doctrine and the practice throughout nearly all the years of the country's socialist development have inclined us to an excessively "pro-state" model for us to cope with the concepts proposed above. Second, many solutions adopted in practice in the spirit of this model failed to meet the expectations inherent in it, and they often had

results which were just the opposite those anticipated. Therefore, in accepting the general idea of strong state activity with respect to the economy, we must be very careful to select the proper forms and methods of that activity or leadership, so as to insure maximum effectiveness and productivity of the entire economic organism.

Before I take up this matter, let me say a little more about the very idea of the functions of leadership which the state has vis-a-vis the economy. There has been a great deal of misunderstanding on this point too.

The socialist state's guiding functions with regard to the economy derive from two sources. The first is universal in nature and is related not to the regime but to the very essence of the state and statehood, as an organization of the society and social life. Each state, if it is to be a state, has and must have various leadership functions in relation to units, social groups, and forms of social life.

After all, there is no state without the administration of justice, an apparatus for keeping the peace, an army (or other organized form of defense), more or less developed social welfare, and so on, in order put give the simplest list of examples. Nevertheless, because economic activity is one of the major forms of social activity and organization in modern times, the state's leadership must extend to this area too. This is especially true in that it is the only source of raw materials (except for conquest) for other state functions to be realized.

The principle of the socialization of the basic means of production and the appropriate utilization of forces and economic resources on behalf of the social interest is another source of the state's leadership functions and is closely associated with the socialist system.

The problem of socialization has evoked various controversies and continues to do so. In the future too it will sometimes be a subject of discussion. There are two levels of argument. One is the ideological one: it is a dispute between advocates and adversaries of socialization, or between the socialist and capitalist visions of social development. I will bypass this aspect entirely. The other level in the realm of thinking in socialist categories is the dispute about the conceptualization of the notion of socialization.

I am no enthusiast for the mechanical identification of "socialization" with "nationalization," as often occurs even in popular thinking and also in various practical operations. On the other hand, however, I do not share the views which completely deny the state form of ownership and which propose that it be replaced by other forms of socialization. The main reason I do not share these views is that nobody has proposed a sensible alternative. All the ideas which have been presented boil down to replacing state ownership with some sort of forms of group ownership.

Now, I am quite firm in my view that socialization in practice should be achieved in various forms, but this also includes the form of state ownership, because only the state is and can be the spokesman of the general national interest.

One can ask whether even for a great industrial center it would not be more appropriate to use some form of ownership other than state ownership, such as a cooperative, self-government, and something like that. There are good reasons for all these proposed solutions, but there are those areas of the economy and of economic activity for which such disputes make no sense. For example, I do not think that any reasonable person is going to question the principle of general national ownership of the mines or other mineral resources, or, for example, the railroads, which cover the whole country. Hence, practically speaking, what sort of socialization are we to have in those areas, if we reject the state ownership form?

The need for state ownership to exist determines the state's guidance functions with regard to this part of the economy, but here to the problem of the form of that guidance needs to be considered. It is similar to the question of the scale of that ownership, its proportions compared to other forms of social ownership, as well as to private and individual ownership. The state's guidance functions in relation to nonstate forms of the economy are implied by other general circumstances discussed above as well as by others which I shall discuss later.

In closing today I should like to mention one other thing. The whole time, I have been treating the subject of "state and the economy" in terms of state leadership with regard to the economy. I would like to point out that I wrote "the state and the economy" in the title. It points also to the other side of the coin, the state's "service" functions with regard to the economy and economic activity. The correct structure after all consists of the fact that the state not only performs leadership functions but also carries out service functions, either in relation to the unit, or to the society, or to the economy. And this is the sort of model that we have to build.

[No 42, 3 Mar 82 p 4]

Today I am continuing the many-faceted subject of "the state and the economy." First of all I shall recall the most important conclusions of last week's talk.

First, the dispute over the very essence of state influence and intervention in economic activity is nonsense and a waste of time. Such authority of the state after all stems both from the state's general function of organizing social life and, in a socialist country, from the social nature of the ownership of the basic means of production. These circumstances determine the state's leadership functions with regard to the economy.

Second, in accepting such a general principle of state-economic relations, we will find it worthwhile and necessary to use the basis of concrete forms and methods of having the state carry out its leadership functions.

Third, the "service" functions of the state vis-a-vis the various forms of economic activity are the other side of state leadership and authority over the economy.

The most classic examples of these service functions are the state's instigation of new types of production which do not fit the traditional economy profile and the creation of conditions especially favorable to economic activity considered to be the most necessary and important. Let us consider that the need for the state to discharge these service functions is additional justification of the leadership functions authorizing the state to accumulate the necessary material resources, to dispose of them, and so on.

Forms of Ownership

So much for the general theoretical principles. Today I am devoting the major attention to the practical problems of "state-economy" relations. First of all here there is the matter of forms of ownership.

A week ago I wrote about the ever growing tendency toward excessive institutionalization of the economy. This pertains both to forms of ownership and to the tendency towards directive-type execution of the state's guiding functions. More than a quarter of a century ago, the question of whether the state must buy and sell parsley played a great role in the economic discussions of the day.

Then, after October 1956, as everyone knows, great changes took place in the country's economic structure. The scope of the state's direct leadership functions with regard to the economy were greatly reduced, but this did not last long.

What is this problem like today, factually and in the light of the spirations and solutions of the economic reform, which calls for many important, interesting changes in this area too?

Let us take a look first of all at the state of affairs in the realm of national assets, which statistics takes to be everything that is a work of human hands, or the effect of economic activity, and is durable in nature, but does not directly serve consumer needs, with the exception of housing.

National assets understood in these terms had a value of nearly 8 trillion zlotys at the end of 1981. About 5.5 trillion of this consisted of production assets (factories and their equipment, vehicles, machinery and implements for farms, and so on), and about 2.5 billion consisted of non-production assets (mainly residential buildings and also installations and equipment for education, public health, culture, and so on).

Up until the middle of the 1970's, the statistics divided the national assets altogether into three parts: "the state economy," "the cooperative economy," and "the nonsocialized economy." Several years ago the line between the state economy and the cooperative economy was obliterated in the statistics, and now there is only a distinction between the socialized economy and the nonsocialized economy.

"Manager Mania"

These trends were also expressed in many other actions. For example, there was the process of the great centralization of the cooperative movement, to the point where the concept of the cooperative movement and cooperative ownership just about lost all their significance. The capping climax of this process was putting the directors of certain cooperative centers (some "defended themselves") onto the Council of Ministers with titles of minister-member of government. One of the first changes in political life and the operation of the state after August 1980 was the resignation of these cooperative-movement heads from their ministerial positions and the restoration of their titles of chairman and president, a move related to selectivity, which during the 1970's had been greatly replaced by the titles of director (manager) so characteristic for state positions.

Here is something interesting: in the 1970's this actual process of maximum institutionalization of the economy accompanied the apparent organization of some parts of it into cooperatives. At a stroke of the pen, most of the employees of domestic commerce were "shifted" from the state sector to the cooperative sector. In this same way, press distribution agents also woke up one morning to find themselves in the cooperative sector.

All these facts and others like them show the utterly arbitrary (now we started to call it "voluntaristic") treatment of the historically structured forms of ownership on the part of the authorities at that time and their manipulation of them, to suit the changing aspirations and images. Another manifestation of this voluntarism was the frequent violation of the constitutionally guaranteed right to private and individual property.

It is obvious that the state must have the right to interfere in the sphere of any sort of ownership. Such a right is implied by the state's general functions and the supremacy of general social interests over other interests, as protected by the state. But it is just as obvious that state interference must be first of all limited to those cases in which the supremacy of the social interest actually comes into play and secondly follow a high-order legal act (for example, a law, and not the decision of the head of a gmina [parish]) and be carried out without violating the norms and principles by which various elements of the economy function.

The legal system presently created provides such guarantees. At the same time it should be expected that in our new economic system structured by

the economic reform, the range of forms of ownership and the forms of organization of economic activity will be substantially enriched. Such differentiation is essential for many reasons. First of all the real needs of socioeconomic development require various forms of ownership and a variety of organizational structures, because only this can insure the necessary flexibility of economic activity. Further, if we leave things to people's initiative and enterprise, then we must agree that each person is an individual, and we have to adapt the forms and structures of organization to him, rather than the reverse.

The variety of forms of ownership and organizational structures in the economy is also essential because of the need to eliminate economic monopoly, which is the effect of the previous mania for bigness and uniformity, and now it is glaringly contrary to the principles of the new economic mechanism.

No Monopoly

How does the ultimate model of the forms of ownership and organizational structures correspond to the economic reform.

The classic state economy show and will predominate, but it is to be anticipated that within its orbit there will be an important, interesting diversification into three sort of "subsectors:"

The large state enterprises of great social importance (railroads, airlines, perhaps some industrial enterprises), in which the state will have the main voice, taken here to mean central control,

State enterprises which are independent and self-governing, in which there will be the principle of a sort of balance between the leadership privileges of the central authorities and that of the employees' self-government,

State enterprises in which leadership will be divided between the employees' self-government and the local administration.

Within the realm of the classical cooperative economy, the evolution will probably go in two directions:

Limitation of the functions and privileges of the great cooperative organizations in favor of restoration of authentic cooperative mechanisms,

Creation of new cooperatives which are independent and not part of the large cooperative centers.

I think that we should also anticipate the substantial development of other structures of the socialized economy cpresently existing in bud form or unknown, such as:

Economic units of social organizations,

Enterprises created by the people's councils (a form different from that mentioned above when we were talking about state enterprises run jointly by the local administration),

Groups of physical parties or legal parties (this structure from the fringe of the socialized and nonsocialized economy).

Finally, within the realm of the nonsocialized economy (excluding agriculture, where the situation is clear), I think that we must return to the former structure and make this organizational division:

Crafts and trades workshops, taken to be traditional handicrafts and the rendering of services,

Private enterprises carrying on economic activity on a larger scale.

The next unusually important novelty of our economic system is the possibility of creating the most varied combinations of these structures, such as mixed capital state-cooperative enterprises, private-state circles, or cooperative-private circles. We also have international enterprises, created by state authorities along with those of other states. We have circles and enterprises of Polonia [Polish emigres], and so on.

This essential diversity of forms and organizational structures of the economy of course requires important, substantive changes in the forms and methods by which the state exercises its guiding functions in relation to the economy. Such a need after all is implied by the whole spirit of the new economic system, which is based on the independent, self-governing nature of the economic units.

[No 47, 9 Mar 82 p4]

It is absurd to deny the state all control over the economy or the possibility of intervening in the economy and influencing it. Such a "non-state" economic system does not exist anywhere in the civilized world. It cannot be justified theoretically, either. Here is the most important conclusion of the past two talks "The State and the Economy."

It is useful and necessary, on the other hand, to discuss what that leadership should be like in practical terms. What should the forms and methods of the state's influence on the economy be like? A week ago I began considering this subject, focusing the main attention on the issue of ownership. Today we will talk about the various mechanisms by which the state exerts its leadership over economic activity and especially about the changes in these mechanisms in our new economic system.

But before this I would like to talk about one other basic issue which I have bypassed up until now, one which a reader took me greatly to task for in the discussion. He said: "All right. I am completely convinced that the state can, even that the state should, exercise some sort of leadership over the economy. But what does "state" mean? The government? The head of a bunch of villages? A director appointed by the government? After all, all those people and many others too are part of the great group of state bureaucrats and state officials who think that state power rests in their hands, power over the economy, the citizenry, and everything..."

This is not an isolated view. It is rooted in bad practices of the past, both the distant past and the all too recent past. Unfortunately, we have gathered a great deal of sad experience in this area. Often, too often, various state officials not only identify themselves with the state (this should be the attitude of every citizen, but unfortunately this applies to too few citizens), those who have usurped the power to represent the state on their own, to act in its behalf, and these people do not have either the qualifications essential to do this nor, what is more important, the right.

I do not intend here to bring out solutions to define just what the state is. There are whole libraries devoted to the subject. On the other hand, you can find who exercises power in the Polish State by looking into the first article of our country's Constitution, where it is clearly written down.

Constitutional Principles

I think that the most important and durable gain of the post-August period is the restoration of basic constitutional principles in relation to the whole system of functioning of the state and the execution of state authority, including that over the economy.

Our whole new economic mechanism is going consistently in this direction, although, especially at present, during the transitional period, there are still many imperfections here.

In keeping with these principles, the Sejm exercises the supreme authority in the state, and therefore in relation to the economy. And this also determines in what sort of forms first of all the state guidance over the economy should be realized. After all, what we are talking about is not direct management and administration of the economy by the parliamentary body as a whole or in part. On the other hand, the Sejm has a splendid instrument for actually leading the economy, and now it is just making use of it. This is the correct legal system of the economy.

In essence the construction of this system is a great, difficult experiment which makes it necessary to overcome much resistance and to introduce drastic changes in the mentality on practically all the echelons of the economy and the state. One of the main difficulties is related

to the mistaken understanding of the concepts of authority, leadership, and administration.

In the past we got used to having these concepts mean of necessity the direct making of decisions, prohibitions, and orders. Of course, there is also this realm of the concept of authority, and it is by no means an unimportant one. One example is the criminal code and other regulations and norms of this sort. But first of all, if the concept of authority were to be limited to that, life would become impossible. Second, the economy "does not like" this understanding of authority, especially.

The essence of productive, effective, and efficient management is first of all ingenuity, enterprise, initiative, and active participation on the part of every element of the economic processes, or, in our country, a dozen and some million gainfully employed people.

There are thousands of examples not limited to our experience alone to show that enterprise and initiative do not go hand and hand with strict direction and the handing down of directives or the primitive attributes of authority.

On the other hand, there are a number of examples to show how the correct legal system must not only not interfere with enterprise and activity but must encourage them and at the same time protect the real interests of the element exercising the authority, that is, the state. Such a legal system it must create for itself, and today, after a little more than a year of work, we can already see clearly the main elements of it.

Consistent With Social Needs

Last year's bills on the state enterprise and self-government and the packet of further bills passed a couple of weeks later on socioeconomic planning, prices, the system for financing the socialized economy, taxes, and the banking system, and so on signify a drastic departure from the previous method of guiding the economy with the aid of directives and prohibitions for the legal system and economic instruments to exercise leadership.

The point of departure for these deliberations (I repeat once more for the moment that they are not entirely consistent owing first of all to the economic crisis of catastrophic proportions that we are undergoing) is the idea that in essence the economy should not be prohibited from doing anything or have anything imposed on it. Completely sufficient are the normal attributes of state leadership which no sound-thinking person questions, like the system of taxes and duties, the money and credit system, the state budget, and so on, so that the functioning of the economy corresponds to the social needs which the state represents.

With the aid of these very mechanisms even the most difficult problems can be resolved, problems, for example, like the question of the state's external economic obligations. This is one of the points of our economic reform

which is frequently brought up. Everyone knows that in carrying out its various functions, including the function of assistance for the economy, the state undertakes numerous obligations with foreign countries related to the exportation of certain quantities of commodities, for example. In connection with this fact the following question comes up: How can the state carry out these functions, unless it can issue directives and commands to the economy to tell it that it must produce and supply for export what the state has committed itself to in international agreements which it has signed?

Let us consider something here: Is it really essential here to issue a command in the sense that we have traditionally understood the word? Maybe instead it would be sufficient for the state to act in the role of a partner or even merely a client of the economy with the monetary funds (because it has a budget) and merely to order what is needed from the enterprises.

Our legal system of the economy now contains just such a solution (although in parentheses we should note that with regard to exports actually this will not be entirely consistent yet, because the situation is also forcing us to maintain a certain degree of control by directives for the time being).

Correct Legal System

But here we have already gotten away from the highest echelon of authority over the economy, the Sejm, using the legal system. This form of leadership applies to the entire economy, from the one-man farm to a great industrial complex, which clearly does not mean that there should be identical laws and principles for all organizational units of the economy.

The legal system must play one other important role, to see that no body of state administration or authority below the Sejm goes contrary to the spirit and letter of it.

As an example here we might cite the solutions adopted in the new law on planning, an imprecise term, because this is our first planning law, inasmuch as we have had only the 1947 decree up until now. It clearly defines the duties and authority of the various bodies of power in the realm of planning, giving the government, for example, the authority to ratify the central annual plan, but at the same time it prohibits the government from changing in the plan any important provisions of the five-year plan passed by the Sejm. If such changes become necessary, the government must first of all bring the Sejm a draft of the changes in the five-year plan. It will not be able to draw up the annual plan until the changes have been accepted.

We can consider this to be an example of an assurance of the correctness of the legal system. I take "correct legal system" to mean such a group of standards and principles which will serve the development of the economy and the satisfaction of social needs. It is after all obvious that the legal system can also be a stumbling block to the economy. The significance of the parliamentary law-based solution of these matters consists of the fact, that, for example, this method provides the greatest guarantees of proper procedure.

It clearly follows from everything that I have written up to here that in the past there has been a whole previous system of running the economy and controlling it. Let me repeat once again: This will not be an easy process, because it is difficult to get rid of old habits and ways of doing things. It is not easy to learn new methods either.

Economic Mechanisms

This is especially true in that they must be incomparably more differentiated than they have been up until now. As I wrote a week ago, the new system signifies equal rights for the various forms of ownership and a substantial expansion of them. In the practical functioning of the state and its various bodies, this means it is necessary to differentiate the forms and methods of influencing the economy.

Even in the realm of the "classical" state economy, there will no longer be uniformity, and we can expect that only a small share of it, the enterprises of fundamental significance for the operation of the state, the economy, and social life, can be directly guided by the central state administration, and at a lower level, by the local administration (urban transportation, municipal services). The overwhelming majority of the state sector will be guided solely by using economic mechanisms.

This may seem to be paradoxical, but I am convinced that all these changes -- assuming of course that we can consistently translate them into reality -- will signify not the weakening of the state, as some people fear, but just the opposite, the great strengthening of it.

This is because I think that there is no abstract "strong state" (even a strong army is only the quality of its soldiers). A strong state above all is the level of its economy and the activity of its citizenry.

For this reason, under the new system the "service" functions of the state in relation to the economy increase tremendously. If, by its international relations, alliances, and also its direct assistance to the economy and the initiation of its new undertakings the state insures a high level of development for the economy, then it will incline the units of the economy and the citizenry to enterprise and activity, and we will become a rich country. Then the state will be strong.

10790

CSO: 2600/442

ANTI-IMPORT ACTIVITY, DOMESTIC KAOLIN RESERVES EXPLOITATION NOTED

Warsaw ZYCIE GOSPODARCZE in Polish No 7, 7 Mar 82 p 8

[Article by Andrzej Michalowicz: "Kaolin--The Forgotten Wealth"]

[Text] For many years, investing in the development of the indispensable raw material base neither was in fashion in our national economy and in the so-called investment policy nor was it willingly undertaken by the ministry and industrial branch leaderships. This has been caused by premises of a more general nature as well as by the avoidance of such enterprises on the grounds that they are capital-intensive and ineffective and that investment in raw materials entails a complex implementation process.

The conditions mentioned above and also, particularly during the past stage of economic development, the often encountered policy of aiming towards fast and spectacular "successes," have by and large disrupted the proportion between the rate of development in manufacturing plants which manifest a visible and a relatively rapid increase in output, thus having the one effect that is both desirable and considered on "the levels," and investment in as well as development of the raw material base viewed as a sine qua non prerequisite for real economic success and assurance of continuous growth of an industrial branch. Mistakes that have been made by such "a policy" are commonly known and, at the present stage of improving the national economy, widely commented upon and analyzed by foremost experts on this subject matter and by economists and technologists. However, only a profound familiarity with the specific nature of an industrial branch makes it possible to draw correct conclusions.

This article's narrow framework impedes my detailed analysis of causes and effects related to an investment policy regarding the development of a raw material base in the glass and ceramics industry which clearly is significant to the national economy. I can only point out some abnormalities in this field and, by using the example of few selected and basic mineral raw materials in this industrial branch, indicate, in my humble opinion, the consequences that are harmful to it.

In "my" industrial branch, as well as in many other Polish industrial fields, kaolin is one of the most significant raw materials extracted from minerals. Kaolin is used in the paper and rubber industries and in ceramics, plastics, paints and varnishes, refractory materials, etc. The above-mentioned sub-sectors of industry base their production principally on kaolin and cannot exist without it.

Kaolin raw materials appear in a number of varieties. Some are suitable for industry in a raw state (e.g., in industry for refractory materials), while others must be purified and enriched before they can be used, e.g., in ceramics, in the paper and rubber industries and in the production of plastics, paints and varnishes, cosmetics, etc.

Kaolin raw material is found in the country mainly in three regions, that is: the southern rim of Niecka Boleslawiecka; the Strzegom and Sobotka Massif; and the Strzelin Massif. The deposits of kaolin raw material in the Boleslawski region (in the vicinity of Nowogrodzic) are fully documented. The deposit "Maria," which is the only one in the country that has been exploited on an industrial scale since 1964, is situated there. In addition to the pit which has a yearly output of 200,000 tons, only one kaolin purification plant has been constructed in the country. The output of kaolin, enriched from the deposit, amounts to 20 percent.

The deposit "Maria" comprises homogeneous raw material which separates easily through purification at the processing plant. The deposit's location in relatively good hydrogeologic conditions facilitates its exploitation. At the processing plant "Surmin" in Nowogrodzic, we obtain, through purification and processing, the following types:

--ceramic-type kaolin which is used in the production of medium quality china, semi-vitreous chinaware and bathroom fixtures;

--paper-type kaolin bleached chemically to an 80-percent-degree whiteness and paper-type kaolin for coating;

--ground kaolin used in the rubber industry and in the production of glass fibers;

--kaolin used in the production of refractory materials.

From the process of kaolin purification, we obtain in addition to the major products (kaolin), the so-called waste products and by-products, namely: glass-making sand of a very high quality (about 35 percent); considerable amounts of construction-type sand and ceramic type mud. The combined utilization of the kaolin deposits is therefore, very high and amounts to about 90 percent.

The processing plant situated at the deposit "Maria," the only such plant in the country, has a yearly output capacity of about 45,000 tons. This fact, when considered concurrently with the demand from industry for about 350,000 tons in 1980, unequivocally characterizes the situation in this area.

For many years, immense industrial shortages were covered exclusively by very costly imports. The value of imported kaolin in 1980 was approximately 50 million foreign-exchange zlotys. According to forecasts of the industrial branches which base their production on raw kaolin, the cost of imported kaolin would have to increase up to 100 million foreign-exchange zlotys. Moreover, it should be added that we bring in currently from the second payments area [capitalist countries] about 30 percent of all imported kaolin

that the price of this raw material is steadily increasing and that it is not easy to buy it. It is equally difficult to obtain kaolin in the CEMA countries.

We have in our country an explored and documented base of kaolin raw materials that has a total reserve amounting to more than 180 million tons; this ought to put us in the ranks of the so-called kaolin potentates or at least free us from the dependency on costly imports.

For many years, our industry has had a prepared and documented technical-economic draft for the proposed and programmatic expansion of the existing pit at the site of the deposit "Maria" and for the construction of a new, large processing plant which would have a yearly output capacity of 200,000 tons of kaolin. In addition to the output of 200,000 tons of kaolin yearly, this draft also outlines the comprehensive utilization of the deposits and the output, in the technological process, of a significant amount of glass-making sand (the volume being equal to the yearly output of a large glass-making sand pit, that is, about 400,000 tons yearly) and construction-type sand. This draft also takes into account the construction of a silicate-brick plant which will have an output capacity of about 100 million ceramic units made from sand which will be obtained in the kaolin purification process.

Financial outlays for the above-mentioned investment project (pit plus processing plant on the site of the deposit "Maria") have been estimated in 1974 (the year in which the draft was prepared) at 2.8 billion zlotys. Obviously, the amount of outlays will have to be updated. According to preliminary estimates made by the Industrial Branch Design Office, the cost will amount to approximately 4 billion zlotys. First of all, however, there is the need for a manly decision. All the efforts that the glass and ceramics industry has made over the years--an industry for which kaolin is a to be or not to be issue--have been scuttled. I am aware of the fact that the economy is not capable of facilitating investment decisions. However, firstly if we bet on fields which allow us to become independent of foreign countries--then the glass-ceramics industry is such a field--and it would be impossible to develop it without kaolin. Secondly, even in a difficult economic situation, and perhaps because of it, cost effectiveness ought to be given special consideration.

Otherwise, it will continue to be, as ZYCIE GOSPODARCZE has once written, "black on white kaolin." And this was in 1975!

CSO: 2600/455

ROLE OF PRICE POLICY IN ECONOMIC DEVELOPMENT

Bucharest ERA SOCIALISTA in Romanian No 4, 20 Feb 82 pp 5-7

[Article by Ion Tulpan, chairman of the State Committee for Prices: "Price Policy in Support of the Development of the National Economy and General Well-Being"]

[Text] One of the fundamental orientations of our country's development during the current five year plan, as established by the 12th Congress of the RCP, lies in the more accentuated growth of the efficiency of economic activities by raising the degree of use of raw materials, materials and energy, by intensively using machinery and equipment, by reducing costs, especially material costs, and by increasing profits. In the actual achievement of these objectives which essential influence Romania's transition to the ranks of the medium-developed countries and the opportunities for continuing to improve the people's standard of living, a significant role is played by the system of prices, both production prices and delivery prices, that is used in the relationships between economic units, as well as retail prices, those prices at which goods are sold to the people.

In keeping in mind the important functions of prices in our planned economy, the party and state leadership, and comrade Nicolae Ceausescu personally, have given special attention to drawing up a price policy firmly substantiated by the careful study of reality and by the scientific understanding and interpretation of objective economic laws. In his report presented at the 12th RCP Congress, the secretary general of the party pointed out that we have to ensure a better substantiation of the correlations between the prices of basic products and the finished goods, beginning with the socially necessary costs and the prices on the world markets and with the need to make better use of raw materials, materials and energy. With regards to retail prices, it was stated that special attention will be given to maintaining the dynamics of these prices within strictly controlled limits, with increases in these prices being correlated with the provisions for increasing the people's incomes.

In fulfilling the congress's decisions, in the last 2 years, as well as in January of this year, at the initiative and under the direct guidance of comrade Nicolae Ceausescu measures were elaborated to update prices and to improve the correlations of prices in industry and agriculture. Since 1 January 1981, updated production and delivery prices have been applied in industry, transportation,

construction and agriculture which kept in mind the requirement to accentuate efforts to reduce production and trade costs.

The need to update production and delivery prices in industry was principally brought about by the general trend of increases in the costs of raw materials, materials and fuels, both on the international level and in domestic production. This was a situation that was in contradiction with the existence of certain low domestic prices for products in the primary branches, prices that represented a distorted picture of the efficiency of these branches of the economy and did not stimulate the economic units in the rational use of raw materials and fuels and the reduction of material consumption.

As is known, beginning in 1973, the phenomenon appeared in the world economy that has come to be known as the energy crisis and that has been marked by the explosive growth of foreign prices for energy products, and especially crude oil. Paralleling this, foreign prices have also increased for a series of basic raw materials, as shown by the table below:

Foreign Price Indices (1973 = 100)

	1977	1980
- Crude oil	342	862
- Iron ore	108	203
- Coking coal	183	293
- Metallurgical coke	220	419

Similarly, there has also been a growth in the costs for raw materials stemming from domestic production, primarily and objectively brought about by the mining of certain deposits having a lower level of useful mineral substance content and more difficult mining conditions. Thus, between 1973 and 1980, costs increased by 62 percent for below-ground lignite, 127 percent for crude oil, 72 percent for coking coal and 28 percent for iron ore.

Under conditions of continuing increases in import prices and domestic costs, the production and delivery prices established at the general rebasing of these prices in the 1974-1976 period became inappropriate, being exceeded by actual costs. At the levels of the old production and delivery prices, the extractive industry recorded losses while the import of raw materials and materials was financed to a significant degree by the state budget. In a practical sense, the total costs of approximately 70 billion lei were financed from the budget instead of being reflected in the prices.

As a result, the production and delivery prices no longer fulfilled their role of evaluating the efficiency of production, investments and foreign trade and they did not work as a stimulating factor for the proper operation of the new economic-financial mechanism. The delivery of oil, coal and other raw materials at prices lower than their real cost, without ensuring a minimum profit, does not, first of all, stimulate the enterprises' activities in the development of domestic raw materials and, secondly, it accustoms the enterprises to the idea that this is a problem for the state, which has to finance them regardless of

the production costs. At the same time, the use of certain underevaluated prices for raw materials and fuels has a distorting effect upon costs in the processing branches, which, under these conditions, earn very large profits, a portion of which does not stem from their own efforts but from the state budget's financing of certain production costs for raw materials and fuels. In 1980, for example, while the extractive industry was being planned overall with large built-in losses, the machine building industry had a level of profitability of approximately 40 percent and the light industry had one of approximately 33 percent, which was totally abnormal.

Without going into the technical computational details, we can point out that within the framework of the updating that took effect on 1 January 1981, the new production and delivery prices in industry were calculated on the basis of planned costs, as determined according to technical standards and subjected to a critical analysis. Imported raw materials and materials were taken into consideration according to the foreign prices outlined in the plan, at different levels of return by groups of products.

As a result of all these measures, there was a noticeable increase in the prices of the raw materials from the extractive industry, as well as those being imported. For its part, this brought about an increase of 2.6 times over in the prices of petroleum products, 1.36 times over in electrical energy and 1.6 times in thermal energy. In the final processing branches, the new production and delivery prices were maintained, in general, at the levels of the previous prices. Nevertheless, certain adaptations took place that were required in ensuring certain rational correlations or correlations imposed by the rise in the costs of raw materials, fuels and energy, increases that could not be covered within the limits of the old production and delivery prices.

For the overall national industry, after the updating of the prices the production and delivery prices increased by 13 percent while the average profitability level was established at over 20 percent. Within the framework of this profitability, the extractive industry, the crude oil processing industry and the electrical energy industry had a profitability level of between 6 and 10 percent while in the final processing branches the level was higher, up to 30 percent, such as in the machine building industry. Nearly all products were made profitable, certainly on the condition of achieving the planned costs and production levels, thus eliminating financing from the state budget to the tune of tens of billions of lei. Finally, corresponding to the increases in the prices for fuels, energy and other materials, the charges on the transportation of goods were increased by five to nine percent, as well as the estimated prices in the construction-assembly branch by approximately 12 percent.

The updated prices and charges provide favorable conditions for the firm application of the new economic-financial mechanism and for the strengthening of self-management and self-administration. There has been an increase in the role of prices in mobilizing the economic units to increase efficiency. At the same time, the new prices permit a more judicious reflection of the contributions of the different branches to the creation of the social product and national income.

The updating of production and delivery prices last year was accomplished under conditions of increasing tasks to reduce material costs in all the branches of the economy. To do this, special measures were adopted in all industrial units to redesign those products having an exaggerated level of consumption of materials and energy, to improve production technologies, to increase product quality and to better use all material resources, including re-useable resources.

As is known, in 1981 new price increases occurred for some raw materials that we import and which make it absolutely necessary to modify domestic delivery prices. Similarly, in the extractive industry, as a result of the factors noted earlier, prices have continued to increase. In the table below, we show the increases in the foreign prices and the domestic costs for the major raw materials in 1981 compared to 1980 (which equals 100):

	Index for Increases in Foreign Prices	Index for Increases in Domestic Costs
- Iron ore	124.6	113.4
- Coking coal	121.2	107.5
- Coke	103.9	153.5
- Energy-producing coal	-	102.3

In addition to the raw materials mentioned in this table, in order to have a better use of our country's natural gas reserves, keeping in mind the growing demands of domestic consumption and the limited nature of resources, the need appeared for a better correlation of the price of natural gas with the prices of the other fuels, beginning with the use value of natural gas. Compared to the price of lignite and taking into consideration caloric ratings, the price of natural gases used as fuel is three times smaller. If we also keep in mind the fact that the price of natural gases used as raw materials is three times smaller than that of natural gases used as fuel, the lack of price correlation is clearly seen. As a result of this, there is a distortion of the economic efficiency of those products whose production process uses natural gases as a raw material or fuel, including electrical and thermal energy.

We have presented several main causes that made it necessary to have new modifications to the production and delivery prices for domestic and imported raw materials and fuels, for electrical and thermal energy and for certain chemical products and construction materials, as well as to certain charges in the transportation of goods and estimated prices in construction-assembly activities.

Specific aspects refer to the prices of agricultural products. As is known, important increases have occurred in the costs of agricultural production in the last 10 years as a result of the readjustment of prices for industrial products slated for this branch. Thus, as a result of the revision of prices for production equipment delivered to agriculture by the machine building industry, in 1976 the average price of a wheeled-tractor increased by approximately 22 percent while the average price per horsepower increased by approximately 12 percent. Similarly, the price for fuels increased approximately 200 percent.

Following the updating of prices in industry, in 1981 the costs in agriculture increased by approximately 5.6 billion lei as a result of the increases in prices - as has been pointed out - for electrical energy by 36 percent, for thermal energy by 60 percent and for fuels and carburants by nearly 300 percent. At the same time, during this period significant raises in salary were given to the workers in agriculture. In 1982, as a result of increases in the foreign prices for certain imported raw materials to increases in domestic production costs, new price increases will be necessary for energy, chemical fertilizers and other products that are delivered to agriculture.

On the other hand, the prices for agricultural products have not been changed for grains for over 20 years and for animal products the last more significant change was made in 1973. In this situation, losses were recorded in many agricultural units, both for crop products and for animal products, which do not provide incentives for the producers to increase their production and deliveries to the state.

In order to provide certain more stimulative prices, in 1981 within the framework of the actions to update production, contracting and acquisition prices, prices in agriculture were increased on the average by 12 percent, which represented an increase of approximately 10 billion lei.

Beginning in 1982, new measures are being applied to stimulate agricultural producers by granting bonuses that overall represent an increase in the prices in agriculture by over 15 billion lei. Therefore, overall, in 1981-1982, the prices in agriculture for crop and animal products will increase by over 25 billion lei.

The increase in prices creates the conditions for carrying out profitable activities in all agricultural units and sectors, which will stimulate the agricultural producers to increase production and deliveries to the state. In this situation, conditions are created for the consistent application of the new economic-financial mechanism, self-management, self-administration and self-financing.

The sum of over 25 billion lei by which the purchase prices in agriculture will increase will influence the costs in the industrial branches that use agricultural raw materials, as well as the costs of the vegetables and fruits that are sold unprocessed to the populace. As a result, under conditions of maintaining the current production prices, significant losses would be recorded in these industrial branches.

This situation is especially obvious in the food industry, which receives the greatest impact of the increases in agricultural prices. Just within the framework of the Department of the Food Industry the costs are going up by over 30 percent, which would cause many products and even economic units in this sector to go over to the "loss" column. Thus, the Industrial Central for Oil would record losses of over 11 percent, the Industrial Central for Meat -

over 15 percent and the Industrial Central for Milk - by over 25 percent. Some products in the food industry would record even greater losses. Thus, for sugar, milk, cottage cheese, lamb and others the calculated losses would reach 25 to 30 percent.

This situation contradicts the principles of the new economic-financial mechanism.

As is known, the basic requirement of the new economic-financial mechanism lies in the consistent application of self-management, self-administration and self-financing. This requires that judiciously-sized prices will ensure the recovery of actual costs for each product or activity and the making of an appropriate profit that will allow the creation of the funds needed for the normal operation of economic activities. Ignoring the laws of carrying out a profitable activity can bring about undesired repercussions both for the producer enterprise and for society overall. Comrade Nicolae Ceausescu pointed out: "In the socialist system, profitability is no longer a private question for different enterprises, but a fundamental problem for all of society. Every economic activity must correspond to certain concrete requirements of society and respond to certain real needs of the people's material and spiritual life, ensuring, at the same time, the continuing growth of national wealth and national income."

The clear result is that the objective increases in costs in the food industry by approximately 30 percent require a corresponding correlation between these costs and the production prices, in other words, an increase in production prices. It is necessary for us to stress that the increase in production prices does not reduce, on the contrary, involves new tasks for the economic units in decreasing the amount of production costs, material consumption levels and manpower and increasing labor productivity, whose results must be the reduction of costs, the fundamental element upon which the efficiency of the entire economy depends. Thus, what is being asked for is an intensification of the efforts to continue to reduce production costs, especially material costs in industry. At the same time, in agriculture it is necessary to have an increase in crop and animal production and an increase in per-hectare and per-animal production so as to achieve a reduction in costs per unit of product. Special attention must be given to improving product quality. The people must receive good quality products for the price they pay, prices that will cover costs and will provide an appropriate profit to the respective units, according to the conditions that served as a basis for establishing the prices.

The new changes that are necessary in the area of production prices must be applied concomitantly with the measures to further reduce production costs. At the basis of the new production prices, we cannot have just any type of costs - as is seen in the current laws. Prices must be substantiated on critically analyzed costs, from which any negative influences must be eliminated that are brought about by exceeding standard levels of material consumption

and labor, by not completely using production facilities and by having a non-judicious assignment of the production of certain products, waste, unjustified administrative costs and so forth. The changes to production prices, by correlating them with actual costs, creates conditions for the full application of the new economic-financial mechanism in all production units and stimulates the growth of production and an increase in product quality. This is fully valid for those products slated for production consumption, investments and export, where, according to law, the delivery prices are equal to the production prices.

In the case of consumer goods that are sold to the populace, the changes in production prices do not resolve the problem of eliminating losses. The unchanged maintenance of retail prices, under conditions where the modified production prices or even the costs are greater, brings about losses for the producer enterprises and slows the growth of production, since the amount of losses increases proportionally with the amount of products produced. Because of this, the achievement of the final goal of economic activities in our society is slowed, that is, the satisfaction at an ever higher level of the people's demands. It must be pointed out that for numerous agricultural products the current retail prices were established many years ago and have remained unchanged although production costs have experienced significant changes. For sugar and sunflower oil, for example, the current retail prices date back to 1952, while during this timeframe costs have recorded a 100 percent increase for sugar and 50 percent for oil.

Keeping in mind the average 30 percent increase in costs, the trade costs and the other elements that are added to the costs, the retail price for food products would have to increase by 35 percent on the average. As we have pointed out above, the costs by product have increased in a different manner. As a result, the new retail prices will be increased in a differentiated manner, some above the average listed above and others below this average. On this occasion, a better relationship will also be achieved between the prices of different products, eliminating a series of anomalies that still exist in the retail prices of certain products.

At the same time, the increase retail prices for food products will result in the achievement of a balance between the people's incomes and social costs, which forms the basis for the prices of products. This measure is based on the increases in production prices and the prices for contracting and acquisition in agriculture, which will ensure stimulating producers to increase agricultural and industrial production.

As comrade Nicolae Ceausescu pointed out in his speech at the recent joint working session of the RCP Central Committee and the Supreme Council of Economic and Social Development, the increases in retail prices for food products are accompanied by appropriate compensations that are differentiated according to the category of workers in such a way that, overall, the

growth of real income in 1982 will be by 1.5 percent. Correspondingly, there will also be increases in the other real incomes of the populace. In this manner, the increases in retail prices for agro-food products, as a result of increases in acquisition and contracting prices and other production costs in agriculture and the food industry, will not affect the workers' incomes, while at the same time constituting an important factor for stimulating production and improving food product quality, for the purpose of more fully satisfying the people's consumer needs.

8724

CSO: 2700

NEW DIRECTIONS PLANNED FOR ZOOTECHNICAL SECTOR

Bucharest REVISTA ECONOMICA in Romanian 26 Mar, 2 Apr 82

[Article by Prof Oprea Parpala]

[No 12, 26 Mar 82 pp 15-16]

[Test] Raising animals always has been linked with the land. From time immemorial, our forefathers moved their flocks of sheep, depending on the season moving between "mountains" (summer, on the meadows) and "marshland (winter, on fodder). The large quantities of secondary products from the grains (hay and later, following introduction of the corn crop, husks) were changed into wool, cheese and meat--not through transporting them great distances but by bringing the sheep (not with expensive means of transport but on their own feet) to the place where this fodder was produced. Later cattle raising for meat also was organized through utilization of natural hayfields at the place of production. Raising of horses, which were the main traction force in agriculture, increased the degree to which the animal was "linked" to the earth, since it facilitated moving the raiser to the seasonal fodder zones.

Considered through the prism of current restrictions, our peasantry's tradition once again has proven worthy of being deepened, reinterpreted and utilized.

The speech delivered by Comrade Nicolae Ceausescu at the 22 January 1982 RCP CC working meeting was a turning point in working out concepts on the coordinates for development of animal raising in Romania, in agreement with the traditions of the Romanian peasant, with world practice and with the needs and possibilities of Romanian agriculture.

The Limits of Industrial-Type Technologies

The revolutionary nature of the coordinates for reorganizing thinking in the organization of zootechnics in Romania is brought out by the fact that they are being planned at a point where the modernization of world agriculture has promoted one of the greatest paradoxes: raising animals without providing one's own fodder base by creating industrial combines where the foddering is done only on the basis of products received from outside them.

Undoubtedly, the model for industrial production in animal raising (particularly hogs and chickens) promoted in the last 20 years in Romania meant a remarkable

technical advance in raising methods, carried out in particular in:

Rational nourishment for the animals on the basis of balanced fodder ratios as a result of the development of the combined fodder producing industry;

Genetic improvement in animals by crossbreeding which led to the creation of highly productive types and lines with a high coefficient of conversion of fodder, with more rapid and prolific growth, producers of high-quality meat;

Improvement in veterinary assistance, particularly preventive (which replaced the curative, which was impossible to apply to a large number of animals concentrated in the same unit), through construction improvements (fresh air, evacuation of waste, profilaxis and so forth);

Organization of animal raising in big "batches" ("on the conveyor belt"), which facilitated the technological process and contributed to raising the efficiency of the work done by the caretaker;

More efficient management of production resources, which generally has led to a lower production cost compared with the farm system;

Improvement in the entire "food chain," including that of the enterprises upstream and downstream of the industrial combine.

These positive consequences, however, not only cannot be considered satisfactory in their totality, but their positive effect itself has been limited by the lacks of the system. Generally, one may say that the difficulties which appeared in generalization of this system, due to the hindrances placed by the faster growth of animal production, once again show how harmful it can be to import technologies which are not in agreement with national possibilities and with the tradition of our peasantry.

First, the industrial system of animal raising is based exclusively on cereal products, subject in advance to processing and protein enrichment in the combined fodder factories, a fact which, at the same time, has led to an increase in the consumption of concentrated fodder and investments headed for the entire industry which produces combined fodder and to an underestimating of the old fodder-producing systems. The party's secretary general, Comrade Nicolae Ceaușescu, pointed out at the meeting mentioned: "Even in the places where we had good experiences in the past, the particular fodder technologies were abandoned and new systems were adopted, ones which led to a 50-percent increase in consumption, even doubling it. In a totally inadmissible way, in contradiction with Romania's realities and with world practice, the Ministry of Agriculture neglected the pastures and hayfields and the consumption of raw fodder, claiming that zootechnics cannot be done except with concentrated fodders."

The transporting of raw materials (corn, barley, soy and so forth)--sometimes great distances--from the place they were produced to the processing place (the combined fodder factory) and the transporting of preparations to the place of consumption bring great expenses which increase the delivery price of the combined fodder in a proportion higher than the one in which the primary fodder

is enriched in order to increase its nutritional power. For that reason, reducing the consumption of fodder by product unit was not also accompanied by a proportional reduction in production costs. And what is more, the transporting of supplies, the processing of raw materials and transportation of sales of combined fodder required large energy consumption, with the factory to a great extent replacing the biological energy which any animal gave out in order to be fed.

Second, the system of raising animals "without land" not only led to an artificial break between vegetable and animal production within agricultural operations, it naturally proved to be an average system, identical from one production zone to another, while the rule in agriculture is diversity, that is, adaptation of production systems to local conditions and resources. In time, uniformity became a hindrance in the path of utilization of the various resources of agricultural production not only in different zones but even within the same zone, limiting the ability at management by the organizer of the production process, which became dependent on outside supply. Inventive and innovative thinking often was replaced by the worker's platitude, with the animal being viewed like any other inanimate means of production. The lack of care with providing a varied fodder base, one that was rich and appropriate, not only limited the spirit of initiative but also encouraged the lack of responsibility in work, since someone outside the enterprise became guilty of all the shortcomings.

At the same time, despite the prophylactic measures adopted, the concentration of large number of animals in a restricted space considerably increased health risks. It was no accident that an increase in the percentage of mortality is found in our zootechnics according to the rise in the level of concentration of animals in the industrial-type combines; curative measures which can have positive effects in the case of having the optimum number of animals, become useless on concentrations of tens of thousands or even hundreds of thousands of animals. For that reason, rightfully, the move in recent years was to build "branches" or "satellite farms" of the big combines, spread out over dozens of kilometers, which, at the same time, permits a rational system of fodder supply to be organized.

With time, the big combines (especially for hogs as well as poultry) became a source of environmental pollution, which goes against the very nature of agriculture. Evacuation of waste (of which some, such as that of hogs, cannot be used immediately as natural fertilizer) became not only a complicated technical problem but also a problem with serious social-economic implications for the environment and for the surrounding population.

From an economic viewpoint, the system of raising animals "without land" is proving to be fragile in many more aspects.

First, it is a raising system based on substituting the labor force through big investments. A place of work (evaluated by the investment needed for the area built and set up, on which the caretaker does his activity) rises to thousands of lei. Not accidentally, it was implemented and extended in the zootechnics of one country (the United States, from where it was "imported" by the European countries), where the limiting factor of the production process is not capital, but the labor force. But big labor force resources, unused, still exist in our

agriculture (including on the personal plots), ones which can be utilized on a high level through the more powerful development of animal raising on traditional bases. Industrial systems limited the possibilities for domestic migration of the labor force in agriculture (from vegetable to animal production) as well as more complete use of the labor force already working in zootechnics.

Big investments were also necessitated by the creation of artificial living conditions for the animals (particularly for poultry or milk cows): light all through the day, continuous ventilation, heating and so forth and all these require large energy consumption and weaken the resistance of the animal's organism to various diseases or to a simple draft, which many times caused large losses through mortality.

Finally, in a period in which the request for grains for food is increasing on the world market (with Romania able and having to become a big grain exporter again), while their price and that of soy is continually rising, the dependence on raising animals exclusively with "grains-soy" would make the influence of price fluctuations on the world market felt considerably on the production expenses and, thus, production costs in zootechnics.

A Critical Reconsideration of Industrial Systems

For that reason, in the majority of western countries where the industrial raising process ("without land") of the animals has reached too advanced a stage, a critical reconsideration is taking place of the fodder systems and the degree of concentration of animals in the same enterprise. Both measures are caused by the concern with not favoring the "land-animal" break, which endangers the utilization of fodder resources at the level of each agricultural enterprise and brings an exaggerated grain consumption in raising animals by misappropriating them from human nourishment as well as that of reducing the risk caused by diseases and other genetic factors and by the environment or that of environmental pollution.

In this context we have the recent "cassava war" caused by the importing of cheap cassava (mainly from Thailand) by some members of the EEC, big animal raisers, which is competing with the expensive grains obtained in the Common Market. Considerations of economic efficiency as well as those resulting from the urgent need for a more rational use of grain resources of mankind (primarily in human nourishment) act in favor of cassava (a product rich in starch), whose importing for the foddering of hogs has risen spectacularly in recent years.

Much more significant are the "policies of structures" promoted by the western states in the animal raising area through adoption of economic and even drastic administrative measures which limit the concentration of animals at the enterprise level.

In Austria, a special authorization is needed to organize an intensive stock-farm for more than 400 hogs for fattening or 60 sows for reproduction; also, special authorization is required for the big farms for fattening cows, layers and roasters.

In Switzerland, in order to increase the percentage of zootechnical farms using their own fodder resources in animal production, new regulations went into effect in January 1980, ones which limit the number of animals and poultry. Following a 12-year transition period, the farmers who exceed the number of animals established will have to obtain special authorization or pay a supplementary tax. At the same time, prizes were introduced for the agricultural utilization of these lands for more intensive use of sloping lands for fodder purposes: 200 francs per hectare if the land is used to produce hay and 70 francs if it is used as pasture (including for lands utilized for moving the locks!).

In Finland, the big zootechnical farms pay special taxes; no authorization has been given since 1978 for organizing farms for more than 500 hogs or 4,000 layers, while a special authorization is needed for organizing a farm for more than 30 milk cows. Restrictions were placed on the poultry farms with a capacity of more than 20,000 day-old chicks so that the number of chicks does not exceed a certain percentage of previous years.

In the Netherlands, a law adopted in 1982 regulates the number of big intensive animal raising farms directed by farmers whose main activity is outside agriculture.

In Sweden, agricultural policy currently is seeking to limit the proliferation of big animal farms; since 1979, egg producer farms which possess more than 1,000 layers per year pay production taxes according to a progressive rate (the tax reaches the maximum level of 50,000 layers), while at the end of 1980 a corresponding restriction was introduced for pork producing farms (by increasing the prices paid to the operators who raise less than 2,500 hogs per year).

Of course, the problem is not being posed for mechanically taking over the measures, particularly since socialist ownership opens new prospects for the optimum size of the enterprise and concentration of animals. However, it can be interesting and useful to take into consideration the trend and critical reconsideration of the animal raising systems which are demonstrated not only in theory but also in international practice.

[No 13. 2 Apr 82 pp 15-16]

[Text] What are the new coordinates intended to revolutionize the system of animal raising in Romania so that the increase in production is also accompanied by an increase in the profitability for the animal raising units?

First in importance is the problem of the fodder base, since animal raising is nothing more than a transforming biological industry, one which enriches vegetable products in the form of the most valuable component of human food ratio-- animal protein.

Providing and Balancing the Fodder Base

Under current conditions of the energy crisis and world food crisis, what is needed in the forefront is improvement in the structure of the fodder base by

an orientation toward the cheaper fodder resources to a greater extent (even on a priority basis), whose inclusion in the production circuit requires more intensive utilization of the entire land fund. Of course, nobody denies the importance of grains for the development of modern and intensive zootechnics; for that reason it is forecast that at the 1985 level we should have available 4-5 million tons of concentrated fodder. But, at the same time, resources with an unused potential and which can produce cheap fodder must be utilized.

Among them primarily are the more than 4 million hectares of pastures and natural hayfields, and if they are not utilized one cannot conceive of zootechnical development. Unfortunately, exaggerating the role of grains in the structure of the fodder base in Romania led unjustifiably to neglect of the utilization of their production potential. The current output is more a gift to nature, since improvements which were necessary were ignored. One should not forget that in the very country with one of the greatest per capita grain productions--the United States--the pastures and natural hayfields hold a central place in the hierarchy of fodder consumption (nearly equal to the grains), providing fattening for a large number of cows at a reduced production cost, with minimum expenses for foddering, care, shelter and so forth.

Eliminating the attitude of disinterest in the improvement of pastures and natural hayfields is required as a primary measure. Of course, accomplishing the program to utilize the pastures and natural hayfields by increasing the areas, fattening and super-fattening as well as the annual introduction of an area of nearly two million hectares of hayfields and pastures in the crop rotation require supplementary investments.

The results obtained in the production units confirm that fodder production per hectare of pasture and natural hayfield--even under plains conditions--can be tripled by applying improvement measures. Under conditions of rational pasturing, increases in weight of 700-1,000 grams per day for cows (comparable with what is obtained in the industrial system and production of 700-900 kg of meat per hectare for a vegetation period can be obtained on well-maintained and well-fertilized pastures in the valley zones. Also, there is nearly no fodder crop (even grain) which utilizes chemical fertilizers as well as natural pastures. By the increase in fodder obtained and consumed by cows, 1 kg of nitrogen gives 1 kg of meat, an equality which is not even encountered in the corn crop. Important effects also are obtained by using certain simple and cheap methods for improving the natural pastures.

Obtaining a balanced fodder base to correspond to the production directions in our agriculture will be insured by completing the fodder resources mentioned with more than a million hectares of fodder plants. In reviewing the plans for crops for each county and agricultural unit so that, starting even in May the necessary products by breeds of animals are insured for their appropriate foddering, it is necessary to bear in mind such a structure which combines the big energy-producing crops with the big digestible protein-producing ones, thus, a rational combining of the quantity and quality of the harvest of fodder plants per hectare would be obtained. In Romania's conditions, fodder plants which have the greatest output of energy production per hectare are fodder beet and silo corn, while those which give the greatest output of digestible protein are lucerne and clover. With regard to production costs, these same crops are

at opposite poles: the smallest production cost for energy producing crops is from silo corn and fodder beet, while the smallest cost per kg of digestible protein-producing crop are lucerne and clover. Between them, silo corn separated from the stalk and the husks offer the advantage that double or successive crops can be planted. But, at the same time, one cannot bypass the fact that the transporting and storing of silo corn require large energy consumption in a short period of working time, which has meant that at a given time reserves of this crop appear (both at the world level as well as in Romania), carried out in a reduction of the areas cultivated. But, since corn is among the plants with the highest coefficient of conversion of solar energy, it currently has made a comeback as an ensiled fodder plant without its reducing the need to reduce expenses for transporting and storing or a balance with fodder plants which produce protein--a balance without which we would reach an overconsumption of fodder and an increase in zootechnical costs.

Under these conditions, extending the areas of leguminous perennials in pure crops or mixed with gramineous perennials, up to a minimum of 60 percent of arable areas planned for the fodder base, is able to provide the protein balance for the fodder base as a whole. Particularly valuable is the lucerne crop, which even surpasses soy in its production of digestible protein per hectare and which, as flour, can even be administered in the hogs' fodder.

Practicing successive crops on all appropriate areas, parallel with extending and intensifying the semi-sweetened fodder beet crop (by fertilization and irrigation from local resources), turnip cabbage-fodder cabbage and fall rape in the zones which have favorable pedoclimatic conditions for obtaining high output, will contribute to the development and diversification of an efficient fodder base.

Precisely for that reason, the areas of fodder crops and fodder production, expressed in quantities and nutritional values, are indicators of the single national plan for Romania's social-economic development.

As far as potatoes are concerned, given their still high production cost as well as the competition between animal foddering and human food (and the processing industry), their utilization of a broader scale is indicated only in the main zones for the crop and only from the categories of quality which cannot enter into food consumption.

Under conditions in which grain production in Romania is the main vegetable branch, we have available large quantities of secondary products (straw, stalks, husks); in their utilization as fodder, the Romanian peasantry has an old tradition which, unfortunately, is still underestimated. (Also, the countries which have practiced modern zootechnics for a long time--such as the GDR--have brought up to date the installations and methods for preparing and enriching the straw, with this resource becoming a required component in the fodder for cows and sheep). Corn stalks, for example--broadly used in the winter foddering of animals in our peasants' farming--have an energy value equal to that of average-quality hay. However, initiative and a managerial spirit are required from each head of an agricultural unit because, using simple and inexpensive installations, the rise in nutritional value and superior utilization of these important fodder resources are insured.

An Adequate Maintenance System

A new structure for the fodder base also requires a new system of foddering and, thus, one of maintaining the animals. It is clear that the installations and mechanisms in the current industrial-type combines do not correspond to the new foddering techniques. Of course, the problem cannot be posed of rejecting these goals but they must be adapted to the new foddering techniques through simple arrangements which permit the move to be made to the new foddering system and system for keeping the animals even by the second half of this year. In this way not only a rational foddering can be achieved but also large savings of energy for lighting, heating and so forth, bringing the animal closer to his natural environment for growth and reproduction.

Special mention must be made of the problem of preparing and using the paste from the corn stalks which, particularly in the big combines for industrially raising the animals, becomes the basic fodder (with combined fodder being changed into complementary fodder) and which is prepared from the stalks harvested several days before reaching full maturity (35-40 percent humidity), with the storages being in special silos built even next to the hog stalls. The move to this system of mixed foddering, in which the paste of corn-stalks has the greatest share, has important advantages both for the producer (the harvesting campaign for corn goes ahead, the output of the combines increases and harvesting losses are reduced; expenses and energy consumption are eliminated for the transport of combined fodder to the factory and then to the complex) as well as for the beneficiary (providing good-quality fodder on time, at a lower cost).

At the same time, a more careful review of current plans is needed for zootechnical construction, which still are abusing cement and other energy-consuming materials, keeping the high investment per animal. Construction is not the decisive factor in obtaining high productivity per animal and a high quality of product, but the quality of the animals, the foddering and care. Without neglecting the shelter element, which still is a production factor, we should go along the line of the simplest possible arrangements which, by providing appropriate health conditions, at the same time permit obtaining a high level of labor productivity.

Of course, the density of animals per square meter as well as the circulation of many groups of animals (as a result of intensive fattening) also affect the efficiency of investments for construction. Thus, physical production (milk, meat and so forth) obtained per square meter of construction or for a thousand lei investment for zootechnical construction may become an important indicator for the economic efficiency of investments in this area.

Adjoining animal raising with the cultivation of crops in the same agricultural unit also poses the problem of storing in a new way, including special constructions for storing fodder, particularly voluminous: silo corn (including the paste), beets, potatoes, turnip cabbage and so forth. Along with obtaining them with minimum investments per cubic meter storage capacity, special attention is required for providing high functionality both with regard to the conditions for quality storage of the fodder as well as reducing the expenses required for storing the fodder to the minimum and, then, foddering. Having the

fodder storage right near the place of consumption, particularly for the succulent voluminous fodder, and close to the stables is an urgent requirement not only for new zootechnical constructions but also for the old ones, which require technical and technological rearrangements.

Implementing the program for self-leadership and territorial self-supply brings to a new light the problem of priorities in the development of the various animal branches in relationship with the needs of the national economy and the possibilities for foddering and the existing numbers of animals. Under the conditions where the animals are changed more and more to be in competition with man in the production of grains, the entire world is demonstrating the trend of faster development of cattle raising in particular; also, in many countries--even the developed ones--a reconsideration of sheep raising is taking place. The phenomenon is explainable if we take into account that both branches are based mainly on the utilization of the natural fodder base (pastures and natural hayfields) as well as on superior utilization of secondary products from agriculture. For that reason, in the modern, multilaterally developed zootechnics, sheep raising in particular holds the central spot. At the same time, large quantities of meat for having a good balance of meat for the country from both branches, besides the main product--milk or wool.

For Romania's current conditions the need for priority development of these branches is emphasized also by the following circumstances. In cattle raising, the last animal census brought out the reduction in numbers (compared with 1981) by 180,000 head, under conditions in which the minimum slaughtering weight is 400 kg. Under such conditions, in order to provide the base needed for broader reproduction of the number of cattle so that the per capita need for meat is satisfied at the level of scientifically substantiated consumption standards, it is necessary to reduce the slaughter of cattle in the next two years so that an increase in the number of cattle headed for slaughter at a weight not less than 400 kg is insured. The number of hogs we have available insures even obtaining an increase in meat production in order not to kill the cattle below the minimum weight and in order to obtain the number of cattle for slaughter as provided in the self-supply program for 1985.

With regard to sheep raising (where the numbers rose by 2 million head in a single year), fine wool production is not covering domestic needs (being forced to import it). For that reason, further increase in the number of sheep with pure wool also gives this branch a priority nature.

Involving the population's plots to a greater extent (and not just those of the cooperative members) in the development of animal raising with a view to insuring self-supply (through self-production) is creating new relations in the agricultural production cooperative and these plots in the sense that the agricultural production cooperative is coming to the aid of them by placing at their disposal quantities of concentrated and raw fodder (along with the fodder which the cooperative member obtains by lots for his personal use). In this way it is becoming possible for all village residents to raise cattle and sheep. At the same time, a change in the structure of number of animals raised on the personal plots is also planned by introducing new specialized breeds of sheep in milk production. At the output which they have, five sheep can insure the

milk production generally obtained from one cow, however, with the advantage that they are easier to fodder and maintain than cows.

The New Professional Profile of Animal Raisers

The organization of highly productive zootechnics always and everywhere has meant the existence of wise raisers who are attached to their profession and who have a love of animals. More than the crop grower, the animal raiser is called on to carefully shape the living organisms he has in his care. For that reason, the zootechnical specialist profession is valued all over the world and paid as such. One of the narrow spots in Romania zootechnics is precisely the lack of animal raisers who are highly qualified, persons who demonstrate attachment to their profession and the objects of their work. Unfortunately, in some places a completely alien mentality has appeared, alien to the traditional spirit of the Romanian people toward animal raisers. Measures to give this profession incentives through the new system of payment for work in the agricultural production cooperative as well as for returning to agriculture (in order to work in zootechnics) for some industrial unqualified workers can be a serious base for providing qualified workers for this important agricultural branch.

Yet, as for agriculture as a whole, in zootechnics we are approaching the point where the old generation of cooperative members will have to be replaced by a new one with high professional qualifications. In this context, it would be necessary for the network of agroindustrial secondary schools to be more clearly oriented toward training the new workers for agriculture. The current instruction system in these secondary schools, more theoretical, where the pupils' practical training boils down to sporadic participation in work in the agricultural campaigns (as students in any profile) is not capable of contributing to the solid training of zootechnical specialists with a love of their trade and of animals. Perhaps it would be good to reconsider the experience of the old agricultural schools or secondary schools of Romania, which had available an agricultural base (including a zootechnical base) which was their own, where all the jobs all through the year were done with the pupils so that they could familiarize themselves with the entire technological process. Even if it would not be possible to organize a zootechnical farm next to each agroindustrial secondary school, it would not be without interest to have the complete and permanent service of at least one animal stable for each breed on the neighboring agricultural production cooperatives by the pupils from the agroindustrial secondary school.

8071

CSO: 2700/243

NEED FOR CONTINUED, EFFICIENT OPERATION OF MACHINERY

Bucharest ERA SOCIALISTA in Romanian No 4, 20 Feb 82 pp 8-10

[Article by Richard Winter, minister secretary of state in the Ministry of Technical-Material Supply and the Review of the Management of Fixed Assets: "The Continuing Operation of Technical Equipment in Industry With a High Level of Efficiency"]

[Text] The development of the national economy at sustained rates under conditions of the broad promotion of technical-scientific progress has brought about a continuing growth in the volume of fixed production assets, concomitantly with an increase in the complexity of technological processes and the ever greater use of certain installations, equipment and machinery that operate continuously and are highly technical in nature and dangerous when in operation. As a result of a significant volume of investments allocated from the national income, just during the last decade the level of fixed assets in the state socialist units have increased by over 2.8 times, reaching a value of approximately 2,000 billion lei, with the installed power in the energy system being increased by over 1.9 times. Special attention has been given to the harmonious development of all the counties in the country so that over this 10 year period in 17 counties that, in the past, were less industrialized the value of the fixed assets in the socialist units has increased by over three times and in three other counties by over four times.

A significant factor for the stage of development attained by the Romanian economy is the constantly higher technical complexity of the installations, machinery and equipment, as expressed by the increase in the degree of automation and by the ever greater use of certain electronic commands, hydraulic and pneumatic actuators and certain advanced technologies, using especially high pressure and temperature systems. All these factors considerably increase the importance of achieving a high degree of safety in the use of all fixed assets and require appropriate measures to have highly qualified personnel, both in the management processes and in the production processes and to strengthen the spirit of discipline and responsibility at each place of work.

Under these conditions, one can clearly see the vital importance for the national economy represented by the full use of our technical-production potential and the assurance of the proper operation of this potential by adhering to all the technical norms for the use, overhaul, maintenance and repair of equipment. The

fact that the production planned for 1982 is scheduled to be achieved at the rate of 96.5 percent using the facilities already in operation at the beginning of this year shows, once again, the special significance of taking all measures for the judicious administration of fixed production assets and for the maintenance of on-hand installations, machinery and equipment in running order and the avoidance of any accidental interruptions, damage or accidents, decisive conditions for the achievement of plan tasks.

As the secretary general of the party, comrade Nicolae Ceausescu, accurately stressed at the plenary session of the National Workers' Council in January 1981: "Let us concentrate our attention to a greater degree than up to now on the proper operation of existing facilities, on the attainment of projected parameters and on the achievement of maintenance and capital repairs on-time - essential problems for the growth of production, profitability and economic efficiency."

Through the measures that were applied by the enterprises, centrals, branch ministries and the other central organs with responsibilities in this area for the better use of facilities, the degree of use of certain technological equipment specific to certain basic branches of the economy recorded certain increases, ending up for the overall industry in 1981 at 91.3 percent, an increase in comparison to 1980 when this indicator was 91 percent. A better load level, one higher than the average for the economy, was obtained for Martin-type furnaces, gas separation installations, glass production installations, furnaces for ceramic and refractory products, and others, where the use of planned work time was over 95 percent.

Despite all this, for 130 large groups of complex installations, machinery and equipment in industry the planned extensive use indicators for 1981 were not achieved. Such as the case, for example, for the large wheeled cup-excavators in the open lignite pits, the seamless pipe rolling mills, the installations for producing lacquers and paints or for producing wood panels, the cotton fiber loom machinery and so forth, where the degree of use not only did not meet the plan provisions, but is below last year's level. The main causes that brought about such situations are both the shutdowns caused by accidental repairs and the failure to provide the necessary number of qualified workers for certain installations and machinery, and the disruptions in the supply process caused, primarily, by the failure to achieve the planned production levels in the supplier units.

Such situations have unfavorable influences directly upon the achievement of certain material resources listed in the plan's material balance and cause chain reactions in the most varied sectors of the economy. The implications that they bring about are known; for example, the failure to produce the required amount of lignite by several million tons upon the energy balance and the production of electrical energy, as well as the repercussions linked to the additional use of imported hydrocarbons. The use of other production facilities at low-load levels brought about minuses for laminated pipe, electricity, lacquers and paints, fabrics and others.

That is why, under the conditions of accentuating the process of going from extensive development to intensive development, it is required as an objective necessity to apply a group of measures designed to ensure the rigorous adherence to the rules for the operating, maintaining and repairing installations, equipment and machinery and the strengthening of order and discipline at work, especially in those units having continuously burning fires or that have installations that are very dangerous when in use, rules outlined in Decree No 400/1981, as approved by the Council of State and which provide the legal framework in this important area of our economic affairs.

An essential condition for maintaining fixed assets in operation is the rigorous adherence to the technical regulations regarding the maintenance, operation, overhaul and repair of installations and machinery. The reviews and analyses conducted recently by the specialized organs of the Ministry of Supply showed that in many enterprises and combines the workers' councils and the units' management are concerned for the preparation and carrying out of repairs, for the strengthening of discipline and responsibility in the operation of machinery and installations and for the adherence to the technical norms for maintaining this equipment.

Despite all this, it must be pointed out that in many cases the appropriate attention is not given to certain basic activities in daily or periodic maintenance, such as the lubrication of equipment, the cleaning of equipment between shifts or after loading charges and the changing of lubricants at the established timeframes. Also, lubrication schemes and schedules are not drawn up for all equipment and the technical procedures are not known regarding the use and maintenance of the machinery being operated. Such deficiencies, which could be considered by some people as minor, actually have especially serious consequences since they lead to the premature wear and tear on machinery and to the decrease in the precision of the work carried out or the quality of the products produced.

The fact that in the lignite open pits in Oltenia there was no appropriate maintenance and periodic overhauling of the complex excavation and transportation power equipment and that they did not adhere to the use procedures or turn over and accept the equipment at shift changes while making clear the technical status of each subassembly, these things caused, in 1981, numerous interruptions and accidental stoppages. For some complex installations in the metallurgical, chemical and other industries, they did not adhere to the technological discipline, the measuring and control devices were missing or did not operate, gases or steam were escaping from pipes and installations were kept in operation with parts or pieces of assemblies that had a high degree of corrosion.

For these reasons, there is full justification in the measures established by the recently approved legislation regarding the responsibilities of the leaderships of the economic units for carrying out on-time all maintenance, overhaul and repair operations, as well as the obligations of the workers and the

operations personnel to precisely understand and adhere to the operation and maintenance standards for the installations and equipment entrusted to them. At the same level of importance is the achievement of the general overhaul and periodic and capital repairs programs, among which those for the more important installations and equipment are listed in the unified national plan.

In connection with this activity, several more important aspects must be kept in mind.

First of all, as noted by the law, it is necessary to strictly adhere to the schedules established for all categories of repairs. It is the practice of the enterprises, centrals and ministries to sometimes delay the planned repairs repeatedly and for long periods of time, explaining such measures by referring to "production losses" that would occur. Experience has demonstrated, however, that much greater losses and damages are produced when the installations and power equipment that have not been repaired on-time accidentally "go down". In such situations, the interruptions are longer and shortages of parts, subassemblies and materials appear which lead, in the end, to greater production shortfalls than if the planned repairs had been conducted on-time.

The analysis of the manner in which, for example, repair plans were fulfilled for the basic power equipment for the production of electricity shows that in 1979 79 percent of the amount of planned repairs were achieved, while in 1980 the figure was approximately 57 percent, which, in recent months, caused an increase in the number of accidental shutdowns, with negative results in the entire economy. Similarly, the downtime for repairs has increased and for 58 energy production power equipment the downtime for repairs has gone way over the allotted time. This type of situation was also found in other units in all the sectors of industry.

Secondly, it must be strongly emphasized that there is importance in the appropriate and timely preparation of each repair job or general repair so that the planned stoppage will have all the material conditions and the required manpower. This problem takes on a qualitatively new content under the conditions of the increasing level of technology and complexity of the installations and equipment, as well as unified capacities of these equipment, since in most situations the preparations for such repairs or general overhauls can only be accomplished during the plan year in which it is scheduled to be carried out, but a series of measures must be taken long in advance.

These are large and complex subassemblies and components that have a long production cycle and that must be produced on facilities that have great demands upon them or are made from imported parts whose domestic assimilation requires the drawing up of documentation, the integration of certain special materials and the provisions of SDV's and working technologies, operations which, normally, require periods of time longer than just a year. It is

necessary, therefore, for the preparations for certain repairs of great complexity to be the object of long-term concerns on the part of each enterprise, central and ministry, while the Ministry of Supply, together with the State Planning Committee, will provide, on the basis of a detailed, item by item analysis, the means and facilities needed for preparatory operations, even in cases where this occurs prior to the year in which the repair is to take place. Similarly, we will also have to examine and make proposals regarding the improvement of the system for calculating net production in order to avoid the situation where the failure to carry out capital repairs favorably influences the fulfillment of this indicator.

It is known that it is not everything just to carry out repairs, but the important thing is that the repairs will be of the best quality. Only in this way do we have the guarantee of the proper operation of technical equipment. The conclusions of the same reviews show the fact that in a sufficient number of places there is no thorough pursuit of the qualitative level of the repairs that are made, something that is reflected at many enterprises directly in the failure to achieve production because of accidental stoppages. Thus, for example, at the large chemical fertilizer combines accidental stoppages annually cause damages on the order of hundreds of millions of lei. For example, just in 1980, at the Slobozia Chemical Fertilizer Combine the value of the production that was not produced because of this totalled over 150 million lei, and at the Turnu-Magurele Chemical Fertilizer Combine over 190 million lei. It should be remembered that in calculating these losses, consideration was not given to their negative, chain reaction effects upon the activities of the user units.

It is not necessary to have too many arguments in order to stress the importance of providing spare parts for the purpose of appropriately carrying out repairs. At the recent joint working session of the RCP Central Committee and the Supreme Council of Economic and Social Development, comrade Nicolae Ceausescu emphasized: "During last year's activities, it came to light that not all ministries, centrals and economic enterprises understood the justness and importance of the measures taken at the beginning of the year and they did not move fully decisively for the in-country production of the materials, parts and subassemblies needed in order to carry out production activities under good conditions."

Actually, in numerous cases the failure to achieve the repair programs has as its cause precisely the failure of the machine building enterprises or its own units that carry out the repair work to provide the spare parts and subassemblies on-time and in the sufficient numbers. In 1981, for example, just for the metallurgical industry the enterprises of the two machine building ministries recorded shortfalls in spare parts worth 208 million lei, representing 36 percent of the provisions in concluded contracts.

It must be emphasized that currently in the machine building units of all the branch ministries there are equipment and facilities that can ensure the production of a very broad range of spare parts. The use indices achieved for

machine-tools in 1981 show the reserves that we have in some sectors. For example, in the units of the Ministry of the Machine Building Industry, in the basic sections and tool sections these indices were only 82.8 percent and for the entire industry its was 83.9 percent. Thus, it is necessary, first of all, to have a better organization of the production of parts, the coordination of a judicious loading of existing facilities, the better scheduling of cooperation work and the provision of production documentation, areas where both the branch ministries and the Ministry of Supply will work more effectively and with greater efficiency.

Certainly, there are some spare parts and subassemblies, especially for series production items - trucks, tractors, locomotives, excavators, agricultural machinery and others - where measures will have to be taken urgently to eliminate certain "bottlenecks" and to ensure, in this way, the improvement of the supply of necessary spare parts in the shortest possible time, concomitantly with an intensification of activities to recondition used parts.

Situations were also found where the carrying out of certain capital repairs or general overhauls is delayed because of the failure to supply on-time certain metallic parts and other types of parts. This means that in this field both the branch ministries and the Ministry of Supply will urgently established the necessary amounts of materials that are missing for each planned repair and overhaul and will ensure the delivery from the county or specialized supply bases or the distribution from current production of these types of parts and the necessary amounts.

In accordance with the tasks that have been received, we are concerned with the improvement of the organization of coordination and execution activities in repair work and the application of approved measures regarding the centralized organization of certain repairs. Along this line of thought, it is necessary to have the appropriate employment of highly qualified personnel, both in the mechano-energy departments and in the sections where the repairs are actually done. Thus, there could be a guarantee for the full achievement of maintenance and repair work according to the technical norms in effect.

The analyses recently conducted in a series of enterprises show that in many cases the number of workers and specialists in the field of repairs is on the decline and their activities are not, as they should be, in the sphere of basic concerns of the enterprises' management. According to the provisions of the previously mentioned decree, this situation must be quickly corrected. The collective leadership organs in the ministries, central and enterprises and the specialized apparatus in our ministry must systematically examine the problems specific to the maintenance, overhaul and repair activities on the equipment and installations, must give the appropriate attention to this field of activities and must establish the responsibilities and the measures to prevent accidental damage and stoppages.

A negative influence upon maintenance and repair activities that are carried out by the enterprises is also exercised by the fact that within the framework

of the plan indicators handed out by the centrals there are no distinct plan indicators specific to these activities, a problem that we will have to examine carefully and find its solution together with the ministries and the State Planning Committee so that right in the plan there will be the conditions to fully achieve the overhaul and repair plan.

Certainly, maintaining a rigorous discipline in those enterprises that have activities characterized by a higher degree of danger requires, first of all, each worker's clearly felt understanding of the importance of precisely adhering to the letter and the spirit of the law in an area decisive for ensuring the integrity of the national wealth. There is need to achieve a true turning point at the level of the ministries, the other central organs and the specialized apparatus of the Ministry of Supply in the manner of understanding and resolving the problems of top priority in this sector - some known and others neglected. The importance of maintenance and repair activities and the proper operation of all machinery, equipment and installations are too clear to continue to accept that they can be in any way neglected.

As is known, Decree No 400/1981 legally regulates all the aspects regarding this important field of activity. It is clear that under the conditions of applying this normative act violations from the prescribed rules can no longer be tolerated or sanctioned as simple acts of indiscipline. These situations have effectively become criminal events, being punished in a penal manner, which represents a signal that should lead to the strict establishment of all the measures to respect work obligations at all organizational levels, beginning with the leaderships of the ministries right to the last worker.

In ensuring the completely safe operation of those units having continuously burning fires or having installations that pose a high degree of danger when operating, and in general the proper operation of technical equipment in all units, the Ministry of Technical-Material Supply and the Review of the Management of Fixed Assets has special tasks which provide for the review of the management of fixed assets in the entire economy.

In the spirit of the increased requirements expressed in the provisions of Decree No 400/1981 in this field, we have the task of eliminating the shortcomings found in our own activities, of ensuring the direct participation of the ministry's apparatus in the prevention of deficiencies and irregularities found during checks and reviews, of applying the provisions of the country's laws with greater exigency and of militating for the definitive solution and elimination of the causes that generate interruptions, accidents or damages in the operation of installations and equipment.

We will concentrate our attention more upon those units where installations and equipment having continuously burning fires are operating or where there is a higher degree of danger so that, together with the workers' councils in

the enterprises, with the centrals and ministries and with the support of the party organizations, we will provide the spare parts and materials and the technical and human resources needed to prepare and carry out the maintenance, technical overhaul and repair work in accordance with the parameters in the technical standards.

Similarly, we will be involved to a greater degree, within the framework of review actions, in checking the manner in which those personnel designated to service the installations and machinery carry out their duties and the manner in which the leaderships of the units have imposed in an organized manner a technological and professional discipline, as required by the law, at the level of the necessary exigencies in all the fields of activity, beginning with the production jobs right up to the planning, mechano-energy and supply departments which have the task of ensuring all the conditions for the preparation and carrying out of overhauls and repairs.

More attention will have to be paid by us to the training, instruction and periodic retraining of those personnel who are involved in the use, maintenance and repair of installations and equipment, especially since each year thousands of young persons are attracted to new or developing units who are graduates from different forms of education.

A more active presence by the specialized apparatus of our ministry in the production units also involves a reexamination of the current mode of organization of territorial inspections in the sense of ensuring a better coverage of the units in those counties where, in recent years, industry has experienced a powerful development.

In the strict application of the new regulations regarding the use and maintenance of installations, equipment and machinery and the strengthening of work discipline, all the workers of the Ministry of Supply charged with direct responsibilities in this field and the ministry's collective leadership organ will work fully responsibly for the effective solution of problems resulting from the systematic reviews in the units and will ensure the improvement of all activities so that we can respond to the tasks and requirements placed before us by the party leadership and by its secretary general, comrade Nicolae Ceausescu.

8724

CSO: 2700

DISCREPANCY NOTED IN NUMBERS OF WORKERS ABROAD

Zagreb VJESNIK in Serbo-Croatian 10 Apr 82 SEDAM DANA Supplement pp 12-13

[Article by Salih Zvizdic: "The Census Erased an Army of Workers"]

[Text] Our specialists have calculated that 1,108,000 of our citizens and members of their families are employed abroad. The most recent population census, however, showed that there were "only" 815,307 of them. Where did the rest "disappear to"?

The last population census, as of 31 March 1981, showed among other things that there were 577,863 workers from our country employed abroad temporarily. That is 94,045, or 14 percent, less than there were according to the results of the 1971 Census. This figure has surprised many services which monitor the movements of our workers abroad. Their forecasts indicated otherwise.

According to the 1981 Census, a total of 815,307 Yugoslavs were "employed abroad temporarily," which is 51,582 persons (6.8 percent) more than according to the 1971 Census. This figure of 815,307 persons includes 145,629 members of workers' families, and the number of these family members increased all of 1.5-fold over 1971. Nor did the forecasts of the other services agree with the figures on family members residing abroad.

The procedures used by the services which issued the forecasts or so-called preliminary data on population movement are so tried and true that deviations from the results of the official census are as a rule very small and almost negligible. This time, however, there is a fair-sized difference, so it is understandable that the discrepancy has initiated a search for the cause. Were the preliminary figures of those services wrong? Or perhaps the census data are inaccurate?

The number of our workers employed abroad temporarily and the number of members of their families living with them was by no means on a sidetrack of the official census. After all, many other computations are made on the basis of those figures and various conclusions are drawn that extend outside the strictly socioeconomic limits and touch upon other sometimes sensitive areas.

When the total number of our workers abroad is broken down by republics and provinces, which is in fact done, then the "derivatives" from those numbers take on still more subtle meanings, since figures on the level of development of various regions, employment of the population, the amount of foreign exchange remitted from abroad, and so on, are related to this.

All of this moved us to speak on this topic with Dr Ivo Baucic, professor and scientific supervisor of the Zagreb Center for Migration Research, and Vladimir Novak, councilor for population statistics in the Republic Bureau of Statistics.

"All the services monitoring the problems and flows of external migration from whatever viewpoint expected the 1981 Census to show a larger number of gainfully employed migrants, i.e., workers. Without mentioning the other services, it is sufficient to mention that the Federal Bureau for Employment Security, the most competent federal institution for monitoring migration, anticipated different numbers. On the basis of their own figures they forecast that at the end of 1981 there would be 1,065,500 Yugoslavs employed temporarily in the countries of Europe, 676,800 workers and 388,700 members of their families. Yet now the census has shown different figures," Baucic said.

The Zagreb Center for Migration Research, which is a prestigious institution in this respect both within the country and in the world at large, also "overestimated." On the basis of domestic figures and figures obtained from the workers' host countries, they computed that at the end of 1980 (on the eve of the census) there were 1,108,000 Yugoslav citizens in the European countries, 693,000 of them workers and 415,000 members of their families.

We should mention that the estimates of the Federal Bureau for Employment Security and the Migration Center in Zagreb were published at the time when the population census began. The debate on the accuracy of the two sets of figures has developed only after publication of the official results of the census.

The Error in the Definition of "Temporary"

Dr Ivo Baucic noted that the population of Yugoslavia was short 136,000 inhabitants in the results of the census! That is, if the normal natural population growth between 1971 and 1981, i.e., between the two censuses, which amounts to 1,966,943 inhabitants, is added to the size of the population in 1971 (20,522,972), our country ought to have 22,490,000 inhabitants (rounded off to the nearest thousand). However, the size of the population is 22,354,000!

Even if that entire difference consisted of Yugoslavs employed abroad temporarily, which is not very likely, that would only explain half of the difference between the number projected according to the preliminary data and the actual number of workers abroad recorded by the census. So, that is not it.

Baucic is convinced that this difference occurred because of the methodology of the census in 1981.

"The 1981 Census did not aim at recording all Yugoslavs who were abroad at that time, but only those who were abroad temporarily. In this interpretation of the term 'temporary' there were, as it is easy to explain, quite a few arbitrary interpretations, especially when the judgment of whether someone is residing temporarily or permanently is made by members of the family, by neighbors, or when that judgment is left to the censustaker. The mistake was that the instructions for organizing and conducting the census did not furnish a detailed explanation of what is meant by temporary residence abroad," Baucic said.

"An Error Is Possible...."

It is obvious that the inadequacy of the criteria as to what is temporary caused quite a bit of confusion, but also the difference between the rather precise preliminary data and the figures obtained in the census, which are accurate, but are accompanied by a justification of the methodological oversight. Let us demonstrate this with the example of the figures of the Federal Statistical Bureau of West Germany in Wiesbaden published in the middle of last year. Of the total number of Yugoslav citizens over 10 years of age residing in West Germany as of 30 September 1980, 55.3 percent of them had been residing in that country more than 10 years--those figures state, which also agrees with our figures.

Many of the people given in that report are waiting to qualify for a German pension after 15 years of employment, and then, as other research has confirmed, they would return to the country. A large number of those workers of ours, and not only of them, but also of those who have been working longer than 15 years, disappeared from the official list during the census simply because of imprecise interpretations of the term "temporary." That is, persons who have resided abroad longer than 10 years were simply dropped from the "list of temporary residents"!

If the methodology had envisaged a census of all Yugoslav nationals abroad whose passports give a place in Yugoslavia as their place of residence, and the confusing term of "temporary residence" had not been introduced, the census results would have been different.

Nor do the people in the Federal Bureau of Statistics evade the supposition of the census results for 1981 being imprecise concerning the workers abroad.

"It is a realistic assumption that the census did not cover all Yugoslavs employed abroad temporarily and the members of their families. This especially applies to Yugoslavs married to citizens of the host countries and to the children of those marriages, where an individual has difficulty deciding whether he is still residing abroad 'temporarily' or has settled there permanently," the representatives of the bureau say.

Vladimir Novak says that the official statistics cannot use the figures on the number of our workers abroad published by various law enforcement and statistical services of the host countries. Moreover, the level of accuracy of such data is not even essential.

Workers Abroad and Returning From Abroad: the upper table gives figures according to the population census, while the lower table gives the results of the Migration Center in Zagreb

Republics and Autonomous Provinces	Workers Abroad				
	1971		1981		1971 = 100
	Number	%	Number	%	
1	2	3	4	5	6
Bosnia-Herzegovina	137,351	20.4	126,438	21.9	92.0
Montenegro	7,829	1.2	9,203	1.6	117.5
Croatia	224,722	33.4	135,244	23.4	60.1
Macedonia	54,433	8.1	57,368	9.9	105.4
Slovenia	48,086	7.2	39,276	6.8	81.6
Serbia					
Serbia proper	114,581	17.1	139,157	24.1	121.4
Vojvodina	60,545	9.0	44,565	7.7	73.6
Kosovo	24,361	3.6	26,612	4.6	109.2
Yugoslavia as a whole	671,908	100.0	577,863	100.0	86.0

	Members of Their Families				
	1981			Total	
	1971	Number	1971 = 100	Number	%
	7	8	9	10	11
Bosnia-Herzegovina	9,468	47,502	503	173,940	21.3
Montenegro	3,228	8,533	264	17,736	2.2
Croatia	30,134	53,673	177	188,917	23.7
Macedonia	13,655	44,025	322	101,393	12.4
Slovenia	5,438	11,814	217	51,090	6.3
Serbia					
Serbia proper	18,808	45,961	244	185,118	22.7
Vojvodina	9,948	16,426	165	60,991	7.5
Kosovo	1,139	9,510	835	36,122	4.4
Yugoslavia as a whole	91,818	237,444	258	815,307	100.0

Host Country	As of End of 1978	Returned in 1980	Newly Employed in 1980	As of End of 1980 Number of Workers	%
West Germany	401,000	15,000	17,000	403,000	58.2
Austria	130,000	4,000	3,500	129,500	18.7
France	58,500	1,500	500	57,600	8.3
Switzerland	30,000	3,000	4,500	31,500	4.6
Sweden	24,500	1,000	1,000	24,500	3.5
Netherlands	10,500	500	100	10,100	1.5
Other European countries	35,500	2,000	3,400	36,300	5.2
Total	690,000	27,000	30,000	693,000	100.0

"The official census is conducted on the spot, in contact with live people, and that is in conformity with the Law on the Census. It is quite possible that the methodology of the census has an effect on its results, and that allows the possibility that a certain number of our workers employed abroad temporarily were not put on the census rolls because someone said of them that they were not 'temporary,'" Novak said.

Distribution by Republics

If the figures on the number of workers employed abroad are analyzed by republics and provinces, the conclusion can be drawn that this difference is not equally distributed over all parts of Yugoslavia.

"Certain differences might even have been expected, but it is simply not possible to explain how in Croatia the number of workers abroad dropped 39.9 percent, while, say, in Serbia proper, it increased by 21.4 percent," says Dr Ivo Baucic.

After extensive analyses of the net result of internal migration over the interval between censuses, Baucic came to the conclusion that "a relatively large difference in coverage of the net result of internal migrations in Croatia probably pertains mostly to citizens abroad who were not covered by the 1981 Census in view of the methodology that was used for defining temporary residence."

There are also certain anomalies in this respect in comparison of other republics and provinces.

Croatian citizens were the earliest to become involved in work abroad (after the Liberation), and their share in the total number of Yugoslav migrants according to the 1971 Census was extremely high and amounted to 33.4 percent. The drop in that share in the 1981 Census to 23.4 percent is not, according to Baucic, the result of a larger share in return flows, but of a drop in the coverage in the last census.

In short, it seems that the number of persons temporarily employed abroad and members of their families has been indicated more realistically in the figures of the Belgrade Federal Bureau for Employment Security and the Zagreb Migration Center than by the official census. This does not by any means detract from the quality of the huge job of conducting the official census, but it points up the possibility of a defect in the methodology for registering workers abroad. This shortcoming should be taken into account when figures are being derived from the official figures concerning those people.

Remittances: Five Billion Dollars

The Federal Bureau for Employment Security and the Migration Center work separately, and each of these institutions takes into account the data from official sources of host countries, which keep detailed analyses on foreign workers. The preliminary figures of these two institutions differ very little in practice.

According to the data of the Migration Center, 27,000 Yugoslavs returned to Yugoslavia permanently in 1980. However, this is the smallest number of Yugoslav workers to return in 1 year since 1973. To illustrate we will mention that 63,000 workers returned in 1977, 42,000 in 1978, and 40,000 in 1979.

These figures are also presented by SOPEMA (Système d'Observation Permanente des Migrations), a statistical organization within the framework of OECD, which includes 14 countries, including ours. According to the figures of that same source, in 1980 there were a total of 23,155 workers in the world belonging to Yugoslav organizations of associated labor in the construction field. Of this figure 15,179 (65.6 percent) were in the countries of Europe, 5,162 (22.3 percent) in Asia, 2,067 (11.9 percent) in Africa, and 47 (0.2 percent) in Latin America. They were not registered as workers abroad in the censuses, since they are registered in the country as employed away from their place of residence.

According to the figures of the National Bank of Yugoslavia, in 1980 Yugoslavs employed abroad and emigres sent into the country a total of \$4,971 million, in which the share of remittances from emigres is small and practically negligible. Since 1971, when \$761 million came to Yugoslavia from those sources, and up until the present time the total amount of remittances has been increasing steadily, and this increase in recent years has been more strongly pronounced. In 1980 58.5 percent of total savings deposits in Yugoslav banks and financial institutions was in hard currencies.

These are all very interesting figures, figures which have a bearing on the payments-balance positions of the country and of the republics and provinces. This merely shows the importance of having more precise figures on the number of our workers employed abroad temporarily, 16,500 of which are already receiving West German old-age pensions for an annual total of DM 4.5 million.

7045

CSO: 2800/356

FOREIGN EXCHANGE PROBLEMS STRIKE SHIPPING OPERATIONS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 2 Apr 82 p 11

[Article by Jovo Iovic, M.A.: "How To Cross the Oceans of Contradictions"]

[Text] Maritime shipping companies, which are the largest contributors of foreign exchange inflow, have become illiquid with respect to foreign exchange and have found themselves in a position where they cannot meet their obligations created in carrying our cargo on international routes. The solution lies in setting aside for carriers the necessary portion of the foreign currency realized from the marketing of goods and transportation services.

Yugoslavia's maritime shipping industry is predominantly oriented toward the export of services, since 98 percent of the capacity of maritime carriers is used for international transport, whether it is a case of carrying Yugoslav exports or imports or of carrying foreign transit cargo transshipped through our seaports or carrying foreign cargo between ports of third countries. That is why the maritime shipping industry has traditionally had a surplus of foreign exchange, which represents a sizable contribution to the country's balance of payments, since its net inflow of foreign exchange occasionally covers even half of the country's payments deficit.

The maritime shipping industry collects for its services of carrying goods between the ports of third countries in convertible currency, and it collects for carrying transit cargo--transshipped through Yugoslav seaports--in convertible currencies or bilateral payment currencies (Czechoslovakia, the USSR, the GDR and the People's Republic of Albania) depending on the payments agreement with the particular country.

Volume of Cargo Carried by Maritime Carriers During the Last Medium-Term Period

Sector	1976		1977		1978	
	Thousands of Tons	%	Thousands of Tons	%	Thousands of Tons	%
Total	19,666	100.0	20,132	100.0	22,044	100.0
Coasting	2,384	12.1	2,164	10.7	2,617	11.9
International transport	17,282	87.9	17,968	89.2	19,427	88.1

Table (continued)

Sector	1976		1977		1978	
	Thousands of Tons	%	Thousands of Tons	%	Thousands of Tons	%
Breakdown:						
1. Exports	1,193	6.1	1,436	7.1	1,286	5.8
2. Imports	3,598	18.3	3,960	19.7	3,837	17.4
3. Transit cargo	768	3.9	658	3.3	580	2.6
4. Between foreign ports	11,723	59.6	11,914	59.1	13,724	62.3
			1979		1980	
			Thousands of Tons	%	Thousands of Tons	%
Total			23,098	100.0	24,623	100.0
Coasting			2,770	12.0	2,812	11.4
International transport			20,328	88.0	21,811	88.6
Breakdown						
1. Exports			1,064	4.6	1,130	4.6
2. Imports			4,362	18.9	5,241	21.3
3. Transit cargo			715	3.1	891	3.6
4. Between foreign ports			14,187	61.4	14,549	59.1

Our Goods--An Unpleasant Burden

However, the maritime shipping industry collects shipping rates for carrying goods involved in our national trade (exports and imports) when domestic persons are the shippers, in dinars, and they are given the foreign exchange treatment provided for in Article 127 of the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries, on the basis of which an order was adopted on conditions under which dinars realized from rendering services to domestic persons in international freight and passenger transportation are computed as foreign exchange inflow every year. In the exceptional cases when that cargo is carried, but the foreign customer or seller is the shipper, the shipping charges are collected in a convertible or bilateral payment currency, depending on the payments agreement with the relevant country.

Composition of the Foreign Exchange Inflow of the Maritime Shipping Industry in the Period 1976-1980, in millions of dollars

Sector	1976		1977		1978	
Total	449.0	100.0	484.1	100.0	554.8	100.0
Breakdown:						
1. Convertible currencies	301.1	67.1	324.3	67.0	392.2	70.7
2. Dinars (Article 12 of the Law on Foreign Exchange)	133.5	29.7	149.0	30.8	151.3	27.3

Table (continued)

<u>Sector</u>	<u>1976</u>		<u>1977</u>		<u>1978</u>	
3. Bilateral payments	14.4	3.2	10.8	2.2	11.3	2.0
Share (of Line 2 + Line 3) in the amount of convertible currency)	49.1%		49.3%		41.5%	
			<u>1979</u>		<u>1980</u>	
Total	658.3		100.0		938.7	
Breakdown:						
1. Convertible currencies	435.2		66.1		600.4	
2. Dinars (Article 12 of the Law on Foreign Exchange)	209.0		31.8		303.4	
3. Bilateral payments	14.1		2.1		34.9	
Share (of Line 2 + Line 3) in the amount of convertible currency)			51.3%		56.3%	

Recently, the maritime shipping industry has increased its share in carrying Yugoslav exports and imports: 11 percent over the last 3 years and 22.1 percent when the first 11 months of 1981 are compared to the same period of the previous year.

Types of Costs

The share of dinar shipping charges of foreign exchange origin, including bilateral currencies, in the total inflow of foreign exchange is considerably greater than the physical volume of that traffic, since that cargo (exports, imports and transit) is predominantly carried in line shipping, and it is carried between the most remote overseas regions. These are products in a quite high degree of manufacture, especially the exports, while as a rule foreign cargo is carried over short distances and there is a more substantial share of less valuable cargoes, on which lower shipping charges are paid.

Under the Order on Operating Costs Which OUR's [organization of associated labor] for Rendering Services in International Cargo and Passenger Transportation May Pay Abroad (SLUZBENI LIST SFRJ, No 32, 1977), maritime carriers pay their operating costs on foreign trips in convertible currencies. These costs are fuel, port and canal fees, piloting, port tugs, cargo-handling expenses, the foreign exchange supplement of the crew, the necessary supplies and food for the crew and the like, including payments against principal and interest on vessels purchased abroad on credit, except for certain costs in the sea-ports of countries with which we have a bilateral payments agreement (the USSR, the GDR and the People's Republic of Albania, when the vessel is carrying cargo involved in the national trade with those countries (exports and imports)).

The breakdown of operating costs of the maritime shipping industry incurred in foreign exchange, expressed in the aggregate in convertible means of payments, was as follows in the period 1976-1980, in millions of dollars:

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Total outflow of convertible foreign exchange	293.4	349.4	405.2	445.9	624.8
Breakdown:					
1. Operating costs	250.0	285.6	327.3	373.7	535.7
2. Repayment of credit	43.4	63.9	77.9	72.2	80.3
Share in inflow of convertible foreign exchange	97.4%	107.7%	103.3%	102.5%	104.0%
Difference between inflow and outflow of convertible foreign exchange (millions of dollars)	+7.7	-25.1	-13.0	-10.7	-24.4

In the last several years the inflow of convertible foreign exchange (mainly realized in carrying foreign goods between foreign countries) has not been sufficient to pay for operating costs, repayment of principal and interest on ships purchased abroad on credit. The maritime shipping industry has made up the difference by buying foreign exchange on the foreign exchange market with dinars of foreign exchange origin collected from domestic shippers. Because our foreign exchange market has not been in operation since February 1980, transportation as a whole, maritime shipping included, has been unable to convert the dinars it earned on shipping charges in international transportation into effective foreign exchange in order to pay its obligations incurred in foreign exchange.

The Relationship With Domestic Users

The foreign exchange illiquidity has been getting worse and worse, since a certain restriction on disposition of the inflow of foreign exchange has been introduced in the republics. Moreover, the maritime shipping industry, which has traditionally had a sizable surplus of foreign exchange, is being called upon to pool foreign exchange in the country for certain purposes (for example, to pay for the imported portion of vessels built in Yugoslavia, for the supply of certain goods, etc.).

Under these circumstances, precisely because it is involved in carrying domestic cargo, the maritime shipping industry has been put in a considerably more difficult economic position than if it operated predominantly or exclusively on the world market, without ever calling at Yugoslav ports. But many carriers, especially line carriers, are not able to move to other maritime markets to carry foreign cargo between the ports of third countries. Their capabilities are tied both traditionally and technologically to the country's commodity trade. In addition, a majority of the maritime countries reserve line shipping primarily for their own flag, so that very little room is left for foreign line shipping.

Any possible exclusion of our maritime shipping industry from Yugoslav exports would cause definite adverse effects for the country's balance of payments, since it would result in an increased outflow of foreign exchange to employ foreign vessels. The exclusion of our maritime shipping industry would be contrary to the basic commitment set forth in the Resolution for 1982, which

is that domestic carriers should have a larger share in Yugoslav commodity trade.

Approximately 10-15 months after the foreign exchange market ceased to operate, carriers managed to offset their foreign exchange obligations incurred in carrying out exports and imports with their own effective foreign currencies and by contracting short-term indebtedness, and they have also managed to extend many obligations which have come due abroad, taking advantage of the business reputation they have gained, since never before have they been illiquid with respect to foreign exchange. For a long time they have lived in the assurance that the foreign exchange market would be opened again.

Yet it has finally been realized that until the conditions obtain for its functioning, that is, until certain surpluses of foreign exchange are built up from the export of goods and services, transportation will not be able to obtain foreign exchange as it once did to pay operating costs incurred because of carrying Yugoslav cargo in international transport. The only thing which remains is to find a solution for obtaining it by concluding self-management accords. It is here that the difficulties arise. That is, shippers are not prepared to enter into this kind of agreement for several reasons. This would reduce the inflow of foreign exchange which they have from exports by the amount of the value of the transport service on the foreign route unless the provision of the order on dinars of foreign exchange origin is enforced. In the case of imports, foreign exchange has to be furnished through the competent community of interest for foreign economic relations, in which they are rarely successful, since the funds have not been planned in good time to pay for the shipping services when the goods are carried by Yugoslav vessels.

Another difficulty is that the number of shippers is large and very difficult to encompass since most of them have small quantities of cargo and only occasionally are involved in foreign commodity trade. Aside from that, there is a lengthy procedure of adopting the accord, of recording it with the competent SIZ [self-management community of interest] at the place where the shipper is located, its adoption by the competent self-management bodies and other administrative procedure, which the modern organization of shipping does not tolerate. This makes the very procedure of negotiation or carrying cargo considerably more expensive, since it generates certain costs (quite frequent official travel, higher expenditures for postage and telegraph and telephone service, and so on), and often these self-management accords, since a sizable portion of the shippers is involved on an occasional basis, do not cover any lengthy period of time.

By What Automatic Mechanism Is Foreign Exchange To Be Furnished?

In the case of volume shippers using maritime carriers for export goods there are realistic conditions for achieving lasting forms of cooperation in the context of Article 67 of the Law on Foreign Exchange Transactions. In such cases the foreign exchange realized in the joint marketing of goods and services on the foreign market belongs to every entity which participated in realizing that foreign exchange in proportion to his contribution. It is very easy to ascertain the carrier's share, since the amount of the maritime

shipping charge for carriage from the Yugoslav seaport is the carrier's contribution to that joint realization of an inflow of foreign exchange. The billed value of the goods always comes down to its value free on board the Yugoslav border, that is, FOB the seaport, i.e., which is the same as the parity of a sale within the country.

The total inflow of foreign exchange realized from marketing goods and services which is credited to the foreign exchange account of the exporter in a commercial bank, under Paragraph 3 of the Order on Dinars of Foreign Exchange Origin, should be reduced by the amount of the paid service for carrying the commodity exported. This presupposes that no self-management accord exists among the participants in the jointly realized inflow of foreign exchange.

Accordingly, when this regulation is consistently enforced, the portion of the inflow of foreign exchange, representing the amount of maritime shipping charges to carry the goods to the delivery point abroad, which is paid by the foreign purchaser through the sales contract with the Yugoslav seller of the goods, should in no case be left to the exporter of the goods. The question is what kind of automatic mechanism would guarantee that the amount of shipping charges for carrying the commodity from our seaport would in a simple way be credited to the carrier even without concluding a formal self-management accord.

A contract could not be concluded on the transfer of foreign exchange, since this would be contrary to Article 77 of the Law on Foreign Exchange Transactions. It seems that the only remaining possibility is to conclude an agreement whereby the carrier is furnished the foreign exchange which belongs to him anyway, and which he needs to pay expenses incurred abroad. Then the bank authorized to conduct foreign transactions, on the basis of the exporter's declaration, would include in the order for transfer of the foreign exchange (Form 745) for purposes of distribution the carrier as one of the final beneficiaries, for the amount of the maritime shipping charges.

The Planning of All Costs Is Indispensable

Because the foreign exchange market is not in operation and because inadequate planning in self-managed communities of interest for foreign economic relations of the republics and provinces, there are a number of specific features in the furnishing of foreign exchange to pay shipping charges on imported goods.

The self-management accord which is adopted on the basis of Article 69 of the Law on Foreign Exchange within the framework of the communities of interest would have to provide for an adequate amount of foreign exchange to meet the necessary costs which the Yugoslav carrier inevitably must pay on a foreign route. This amount could not be less than the effective foreign exchange costs which the carrier must pay on the foreign route, special consideration being given to the use of tramp vessels for imported goods, when they leave the Yugoslav seaport in ballast, when there is no possibility of their taking on our exports (the reference is to imports of crude petroleum, coal, grain, etc.) on the same or a nearby maritime shipping route.

Because of this lack of planning of the necessary foreign exchange, it has become impossible for effective agreements to be concluded between the shippers and the carriers, since in many republics and provinces no provision has been made for these funds. There is no dispute that importers must make provision for the foreign exchange necessary to pay for the effective foreign exchange costs which our carrier incurs on the foreign route, which are considerably less than the value of the shipping charges of a foreign carrier (less than half). It is obvious that importation is not possible merely by purchasing goods. To change the parity of the purchase of goods or to employ a foreign carrier is not only unjustified from the socioeconomic standpoint, it is also commercially unprofitable, since the Yugoslav carrier needs to be furnished only a share and not the entire shipping charges in foreign exchange. Moreover, employment of a foreign carrier is regulated in a specific way in these agreements of the communities of interest, so that the shipper does not have the possibility of engaging a foreign vessel if there is a domestic one.

The use of dinar funds to purchase foreign exchange on the foreign exchange market within the planned volume in the community of interest is related to employment of a domestic carrier, which is in line with the established policy of greater involvement of the Yugoslav fleet in carrying domestic imports and exports, in conformity with the Resolution on Policy for Implementing in 1982 the Social Plan of Yugoslavia for the Period 1981-1985.

Imports of energy raw materials--crude petroleum, coking coal and petroleum derivatives--is specifically regulated in 1982. On the basis of Point 3 of the Order on Yugoslavia's Joint Foreign Exchange Policy for 1982 (SLUZBENI LIST SFRJ, No 72, 1981) the necessary amount of foreign exchange has been uniformly determined for their import so as to eliminate the disturbances that occurred in this field in the previous period. Through the restrictions which have been established on disposition of the inflow of convertible foreign exchange, the maritime shipping industry is appropriating through the communities of interest certain convertible foreign exchange, even though it mostly purchases fuel abroad.

Unprofitable Employment

The importation of goods through federal directorates for reserves requires special solutions in view of the position of these organizations in our system and the circumstance that there is no corresponding community of interest through which the policy could be conducted in good time of planning foreign exchange to cover the necessary foreign exchange participation.

Similar to the case of commodity exports, according to the instruction we have quoted, when notice is filed concerning a foreign exchange transaction to import goods (costs of delivery to the Yugoslav border in foreign currency), the costs of carrying the goods from the place of delivery abroad to the Yugoslav border are also set forth in relation to the agreed parity of the delivery of the goods abroad. This datum can be put to very good use in planning foreign exchange to pay for shipping expenses on the foreign route.

International passenger traffic has a specific position with respect to obtaining foreign exchange. Dinars of foreign exchange origin earned in rendering transport services to foreign persons (passenger tickets collected in dinars from those persons) once again cannot be converted so as to obtain the necessary funds to pay for costs on the foreign route on international lines or to purchase the necessary spare parts for ships operating on domestic lines. When foreign individuals are carried as passengers, there is no one with whom to conclude a self-management accord. The possibility remains, under the Order on Conditions Under Which an International Payment or Collection Is Made in Effective Foreign Currency (SLUZBENI LIST SFRJ, No 6, 1977), Point 3, for the carrier engaged in rendering passenger transportation services, if he is authorized to conduct currency exchange transactions, to collect for services sold to foreign nationals in Yugoslavia directly in the effective foreign currency, without a special permit, and to credit it in his foreign exchange account.

For the reasons mentioned the fact that the foreign exchange market has not been operating has caused many serious problems for the entire transportation sector with respect to international traffic, maritime shipping in particular. There are increasingly frequent cases when the carrier is unable to provide the foreign exchange even for fuel, so that vessels are held up in foreign ports, that is, they are unable to sail. This is destroying the reputation of our maritime shipping industry which was earned over decades. That is why the only solution that remains is for the carrier to be left his share as an equal participant in the inflow of foreign exchange jointly earned from the marketing of goods and transportation services, or for all importers, regardless of whose needs are met by the imported goods, to furnish the carrier the necessary foreign exchange to pay for the costs he incurs in foreign currency on the foreign route.

7045

CSO: 2800/354

REASONS FOR 'DISINTEGRATED' MARKET DISCUSSED

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 15 Mar 82 pp 27-28

[Article* by Marjan Senjur, Ljubljana: "Conditions and Causes of Disintegration"]

[Text] The topic I would like to talk about will be the conclusion of self-management accords and social compacts concerning development policy between republics and OUR's [organization of associated labor] from different republics and provinces. The situation in this area is not satisfactory. Instead of ever greater cooperation and pooling, we have a process of disintegration of the unified economic space of Yugoslavia into republic economies which are rounded off and are increasingly autarkic.

The question is what is happening to the Yugoslav economy and why is it happening? Some people explain that it is a question of the consequences of economic and political nationalism. The example of Kosovo is given. Perhaps that is so in part, but my thesis is that economic nationalism and regional exclusiveness are in large measure a consequence of certain features of the economic system and economic policy.

Freedom To Conclude Agreements

If an economic organization is to be able to undertake an agreement on development and to pool capital, it has to be independent in making decisions as a commodity producer and it has to have resources available to carry out the accord or compact. At present economic organizations have neither enough economic independence nor the resources for concluding agreements successfully on development policy. Responsibility for economic decisions, especially for poor ones, is an integral part of the concept of independence. If an economic organization is not independent or is not responsible for poor results

* This text is an authorized version of Dr Senjur's speech made at Kumrovec on 26 February 1982 in a meeting of the Social Research Center of the Presidium of the LCY Central Committee on the topic "Development and Problems of Concluding Self-Management Accords and Social Compacts, With Special Reference to the Problems of Concluding Self-Management Accords and Social Compacts on Development Policy, and the Tasks of the LCY." The editors have furnished the title and headings.

(losses), then responsibility has to be assumed by sociopolitical communities, which in the end see that the losses are covered by what amounts to a redistribution of income from good economic performers to poor ones. In such a case the sociopolitical community becomes a protector of economic organizations. Yet sociopolitical communities are confined to administrative regions. The consequence is that a capital investment within its own region or republic is safer than an investment in another republic. Should the economic organization fail, in its own republic it can expect its republic to come to its aid, but it probably will not help to the same degree when it is a case of an investment project that has failed in another republic. Unified economic space and the conclusion of economic agreements and pooling within that space requires that economic transactions be equally safe throughout the entire space. That is not altogether the case in Yugoslavia at the present time. Investment projects in one's own republic are safer. This does not encourage the pooling of capital beyond the boundaries of the republic.

And even if economic organizations had independence in their economic decisions and even if they had the resources, they would not enter into the agreement on matters important to the economic development of the country unless augmenting production and minimizing costs is the dominant condition for earning more income.

If an economic system is such that it does not require this, then the conclusion of agreements cannot be transformed into conclusion of agreements on the realization and redistribution of income without an economic basis. The case with the conclusion of agreements on prices is typical in this respect.

The lack of a solution or the poor solution for the price system, in the absence of a uniform theoretical concept which would in principle put all sectors in the same relation, that is, in equal conditions in primary distribution, is having very undesirable consequences for conclusion of agreements on development among OUR's from different republics. If the price system places certain branches in a more favorable position with respect to prices, then all the republics, in maximizing the income of their region, will strive to create that structure of republic production which reflects disproportions in the price structure. The consequence of this is creation of competitive economic structures in the republics, which could even be a good thing, but it is a bad thing that the complementary prospects of the structure within Yugoslavia have been neglected on the basis of the comparative development advantages of the particular regions. Thus economic structures are being created which are optimal from the standpoint of the existing price structure, but they are not optimal from the standpoint of the economy's development. This, of course, makes it more difficult to conclude agreements on development.

In Yugoslavia the price structure has an impact on the production structure. If we want to have an economically sound production structure, we must have an economically sound price structure. The demand for restructuring production must also signify a restructuring of prices. We will not achieve that with the political prices which we now have.

The conclusion of agreements on prices and administrative regulation of prices signify that we have accepted the concept of the political price--which makes a certain sense--but political prices cannot altogether replace economic prices. The criteria that prevail in politics are quite different from those that prevail in economics. The political price would signify that even now we deny the need for the existence of economy and economizing. The consequence of political prices is that prices are formed on the basis of the poorest producer or regional republic prices are formed, which is why we have six or eight prices for one product. Both things are bad in economic terms and have a disintegrating effect on the Yugoslav economy. That is why there will be less and less conclusion of agreements on development, not more and more.

In this context the market signifies a process of objectification of prices more on economic foundations than on the basis of political interests. The market price would have a quite favorable influence toward conclusion of agreements on questions of development.

Sometimes the idea arises in this connection of using the world price as an objectified criterion for the formation of prices. What does this mean? The only thing it can mean is a demand for a realistic rate of exchange of the dinar and less protection of domestic production, and nothing more. I don't believe that there are any other interpretations which I could mention.

The Dollar, the Dinar and Interest

The policy of the unrealistic, overvalued rate of exchange of the dinar is having a very harmful effect on economic cooperation across republic lines. On the one hand the overestimated rate of exchange of the dinar has created a surplus of demand for foreign exchange, which later led to a distribution of the right to import among the republics, and then to republic foreign exchange positions, and ultimately this could end with republic balances of payments. The result is that foreign exchange is no longer able to cross republic borders. This process is certainly greatly hindering economic cooperation across republic lines.

On the other hand, the exaggerated rate of exchange of the dinar makes it cheaper to import raw materials, which is hindering the development of the production of raw materials in Yugoslavia and is making it possible to import technology inexpensively, again at the expense of domestic know-how. All of this is creating conditions for foreign economic relations to be more attractive from the standpoint of income than relations in Yugoslavia. A portion of the advantage of foreign countries we have created ourselves through the unrealistic rate of exchange of the dinar. We can understand, then, the figures to the effect that the Yugoslav economy is supposedly establishing more ties with foreign countries than within Yugoslavia.

The low or even negative price of money, that is, the interest rate, is necessarily territorializing the use of accumulated capital. The investment of capital in another republic under the conditions which are given at present signifies a siphoning of income. The simple way of preventing this at the present rate of interest is not to invest in other regions. A direct

consequence of the low rates of interest is the regional immobility of capital, that is, the closing off of accumulated capital within the republics and provinces.

The present "successes" in the pooling of capital among organizations of associated labor from the more advanced and less developed areas do not yet have an economic foundation. That is, it is a question of the capital which the economic organizations from the more advanced areas (republics and provinces) are required to set aside for the less developed areas either in the form of pooled capital or by making payments into the Federal Fund for Credit Financing the Faster Economic Development of the Underdeveloped Republics and SAP [Socialist Autonomous Province] Kosovo. Which means that economic organizations from the more advanced areas are pooling capital, if they do, which they could not put to alternative use, so that there are no alternative costs either. That is why any benefit from the pooling of capital is already a constructive economic benefit. The disturbing thing in this is that the volume of capital being pooled is not greater under these conditions and that socio-political communities have to be so strongly involved in this area.

Plans and Systems

The unified Yugoslav economic system and economic policy are not adapted to accomplishing the goals planned in the Yugoslav social plan. That is why the republics, each individually and for itself, must seek solutions for implementing the positions agreed on in the social plan of Yugoslavia. This leads them to adopt economic measures which in fact signify an addition to or supplement of the economic system of Yugoslavia. Actually this means that alongside the Yugoslav economic system, republic economic systems are also being built up, and this could result in disintegration of the Yugoslav economic system. Ultimately this certainly makes it more difficult to conclude agreements and accords on development policy among the republics. It even makes it more difficult to enforce the positions already agreed on in the social plan of Yugoslavia. Thus in part the social plan of Yugoslavia is losing its importance as the joint platform for cooperation of the Yugoslav economy in accomplishing the goals of development of importance to the entire economy which have been jointly agreed to.

Regional development policy in Yugoslavia is based on the idea that investment projects are the principal and almost the only factor in economic development and that the main problem is how to provide sufficiently large investment capital. This concept of regional development policy has not been stimulating economic cooperation across republic lines. This has been changing quite recently, and other factors of development are also being emphasized. This is also becoming one of the arguments for greater pooling of capital and labor across republic lines. Nevertheless, we still do not have in Yugoslavia accepted theories and policies of regional or interrepublic development that would be based on the need for cooperation across republic lines.

Once Again on What Is Well Known

Everything I have said is more or less well known. So why is it, then, that in reality we actually are not changing certain elements of the economic system and economic policy? I think that the question of a solution is no longer a matter of knowledge and subjective will. It is a political problem. That is why the point of this and other similar discussions is to create the atmosphere and the political will for the necessary economic changes.

I think that we should state that the economic system and economic policy which we still actually have at present justifies and even requires a vigorous role on the part of the government, the sociopolitical community, in the economy. This is the system which in its extreme form we recognize in the other socialist countries. That kind of system functioned in Yugoslavia to some extent so long as there was only one government--the Federation. We had state capital which was unified, we had state foreign exchange, and we had state prices. That kind of economic system must disintegrate as a consistent economic system when that one state is replaced by six or eight republic states in the field of the economy with state capital in the eight republics and provinces, with republic foreign exchange and with republic prices.

We should immediately adopt constitutional amendments and a new constitution as a whole to change the economic system and economic policy so that they are adapted to the new role of the republics and provinces in the economic and political fields. Not on paper, but in reality. Ten years from now, perhaps 10 years too late, we will have to make that kind of adaptation of the economic system and politics. And that at all the points I have spoken about.

There is no transformation without costs. How are we to distribute the costs or the losses because of adaptation of the economic system and economic policy to the new socioeconomic conditions? That is the essential question. If we cannot resolve it, we will not gather the strength for the necessary transformation either. This is a political question in every country, not just ours. The assertion that we will all have to bear the costs of stabilization or the transformation is a clouding over of the problem, and we need a relative redistribution of income and economic power in order to change the economic system and economic policy. The political status quo signifies a blockade in resolving economic policy and a maintenance of the economic status quo. Which is the lesser of the evils in Yugoslavia: the status quo or changes of the economic system and economic policy toward a self-managed socialist market economy?

Some people say that resolving these economic issues would cause economic and political difficulties. I think the reverse. Failure to solve these problems will cause us much greater economic harm. And, what is more important, it is causing us immeasurable political harm. Incidentally, what could be of greater political harm than creating a totalitarian and administrative socialism (a system which is already in economic crisis in the world) or than disintegration of the unified economic space of Yugoslavia into autarkic republic states?

7045

CSO: 2800/348

END

**END OF
FICHE
DATE FILMED**

May 12 1982

